



The
Other Side of Government

The Other Side of Government

By
David Lawrence

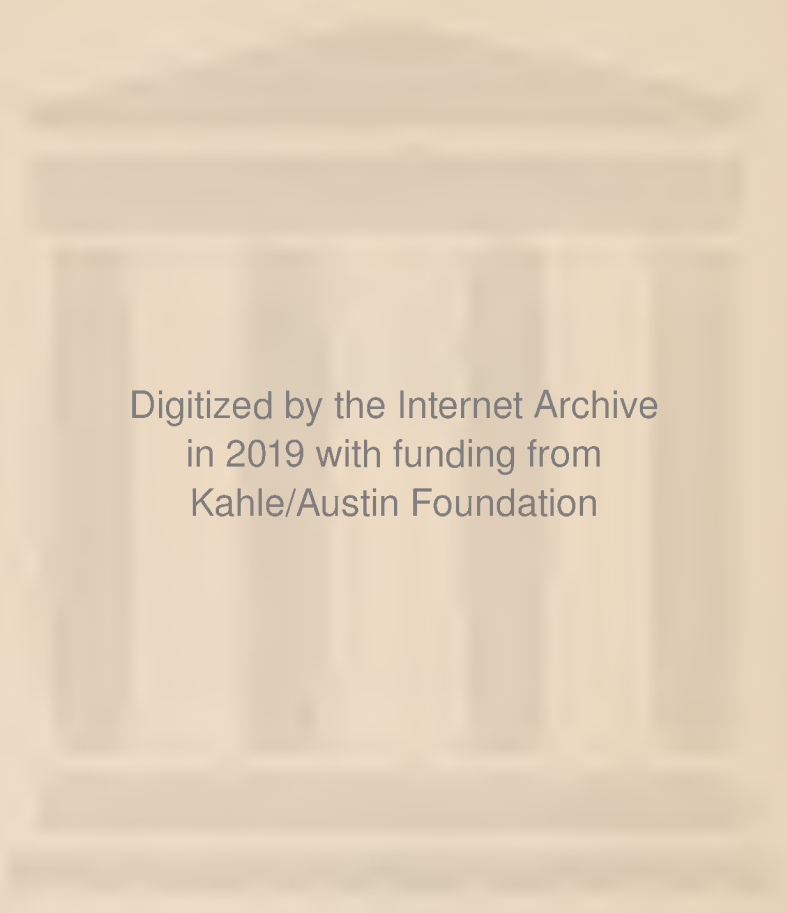
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TO
MY MOTHER



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Foreword

Most people nowadays regard politics and government as synonymous. Politics of course provokes more sensation and involves the element of individual ambition, so it is perhaps more conspicuous than the every-day operation of what we may call the non-political side of government. Twenty years of experience at the national capital has convinced me that Republican and Democratic administrations are much the same under the skin—that they both strive to develop a formula which will in their judgment promote the progress and prosperity of the nation.

Much of the personnel of government, outside of a handful of executives, is really non-political. My observations lead me to believe that government officials conscientiously try to do their duty and that irregularity and scandal are the exceptions which prove the rule. Members of Congress are for the most part efficient servants of the people. If some are mediocre, it is the fault of the people who vote to send them to Washington. We who live in the national capital from year to year take it for granted that if the constituencies do not send supermen to Washington it is either because they do not have them or because they do not believe in supermen. Congress as an institution has been lampooned and public men have been dissected

so that the public service itself has become unattractive. The pendulum must swing in the other direction if we are to make the public service a career for the aspiring youth of our country. It is no longer a matter of party politics. It is an obligation which transcends parties and is related more closely to efficient administration in an era in which economics must again and again supersede politics in the solution of vital problems.

The Government of the United States is the biggest business in the world. With the close of the great war it was thought we had about reached the peak in government, but aside from the military activities of those days we now have in the civilian establishment a larger and more efficient administrative machinery than existed in war-time. It has been a natural and not a forced development. The growth in governmental activities has been an accompaniment to the expansion of business, the increase in population and the tremendous strides of industry in general, for government must keep step with the progress of the country as a whole and that is why it has grown and will continue to grow.

I do not mean that the Federal Government is deliberately seeking responsibilities which belong to the States, for I have not seen any substantial movement in that direction emanate

from the Government itself. Such demand as does come arises largely from indifference of the States themselves or from their lack of initiative.

Too much emphasis is put also on the regulatory side of government. Unfortunately a large part of our people are inclined to see only that aspect because they are not aware of the even larger phase of our central government which concerns itself with the welfare of the people and the progress and development of business and industry. There are many departments of the government in which the regulatory phase of government is so subordinated as to be almost negligible. The Departments of Commerce, Agriculture and Labor, for instance, are virtually devoted to the assistance and promotion of the interests associated with their titles. A large part of the work of the other executive departments also is concerned with other than the regulatory and routine side of government.

Because I believe that a better understanding of our government is essential to its proper development, I have tried to show how the Government in Washington is working not only for business and the citizen but also with business and the citizen, and where and how its arm is extended helpfully in the upbuilding of our country in both a material and moral sense.

Conditions in government are, perhaps, far

from what they should be, but they are constantly improving. They will get better as more and more business and professional men and women take an interest in the actual workings of their government.

This book is an effort to express the spirit of governmental activity rather than its functions or technical aspects. It is not written with the idea of giving a diagram of the machinery of organization, but rather to present information on the fundamental purposes which underlie all government operation. The average man is more concerned with the effects of government action as they relate to the individual citizen than with organization charts. My purpose has been to give the layman a few selected phases, emphasizing the motif of government from an information rather than a political view-point.

Respect for law and for government will come, I hope, from concentration on the facts of government as they are unfolded from day to day to an interested and alert people. Happily, the interest in government is increasing, and some of us are inspired to plead for an even greater interest because of the awakening in the last ten years on the part of the American people. For they are discovering that government is not always an inquisitor but can also become an instrument of sympathetic co-operation.

D. L.

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The
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I

OUTSIDE THE CONSTITUTION

We shall better understand our rights and duties as citizens if we erase, at the outset, some popular misconceptions about the powers of the Federal government. We shall increase our respect for the Constitution when we know what it omits as well as what it includes.

First of all, the error most commonly repeated is that the Constitution gives the citizen a right to vote. It does not. All that the Constitution says is that the right to vote shall never be abridged or denied because of race or color or sex or previous condition of servitude. The Supreme Court has declared that nowhere does the Constitution affirmatively bestow the right to vote though the Constitution does specifically say on what grounds the vote cannot be denied. The qualifications of voters are left to the states. They can make virtually any discriminations they please, provided they do not deny the vote on account of race or color or sex.

Second, there never has been any constitutional provision or law to prevent a woman from being elected President or Vice-President of the United States. It is frequently assumed that

only when the Nineteenth Amendment, known as the woman suffrage amendment, was adopted could a woman hold the office of Chief Executive or be elected to Congress. The Constitution says that any natural born citizen of the United States may become President. This means any man or woman who was born on the territory of the United States. It means as much a man or woman born in the United States of Asiatic parents as it does a man or woman born of European parents.

Third, there is no constitutional provision or law which would prevent any man or woman from being elected to the presidency who happened to be a believer in a particular religion or creed. On the contrary, the Constitution states specifically that "no religious test shall ever be required as a qualification to any office or public trust under the United States."

Fourth, there is no provision in the Constitution and no law which would prevent a man or woman from being elected for two or three or four or even five terms as President of the United States. The Constitution merely specifies that each term shall be four years. Many efforts have been made to amend the Constitution to limit the tenure of presidential office to a single term of six years, but no change has ever been made in this respect since the Constitution was drafted.

Custom and tradition have frequently been confused with actual constitutional provisions, but while custom may have its weight in influencing voters, the fundamental principles of the Constitution can be changed only by amendments presented in the proper way and adopted by three-fourths of the states of the Union.

Another misconception which is of recent origin is the commonly heard statement that Congress can at any time pass a law fixing the alcoholic content of beverages at any percentage. The Supreme Court of the United States has ruled that Congress was acting within its rights in fixing a content of less than one-half of one per cent as not intoxicating, but that there were limits beyond which Congress could not go. This means merely that the exact point at which Congress would be making a law inconsistent with the language of the Eighteenth Amendment never has been fixed but simply that less than one-half of one per cent is safely under the limit prohibited by the two words "intoxicating liquors."

This power of the Supreme Court to define the limits of legislation has resulted in many important decisions in our past history which have almost the effect of amendments to the Constitution itself. It is true that a group of judges may in the future reverse an opinion handed down in preceding years, but it is also true that once the

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Supreme Court definitely holds that Congress is within its rights in passing a certain law, no further effort is usually made to challenge that particular statute. Also, if a law is declared unconstitutional it is dropped or else an effort made to amend the Constitution. Thus, there has been a universal acceptance throughout the United States of Supreme Court decisions as final and many of them have had as profound an effect on American life as some of the 26 brief articles of the Constitution itself.

For example, the word "railroad" is not mentioned in the original Constitution for the very good reason that the steam engine had not been invented in 1787. Nor will the word "automobile" or "airplane" be found in any recent amendment. Yet, the Federal government is engaged in regulating transportation facilities of all kinds whether motor busses, vessels, airplanes or trolleys or railroads when engaged in interstate communication. The original Constitution was truly a charter of principles which have been developed by Congress and interpreted by the Supreme Court of the United States.

II

LEGISLATIVE BUSINESS

The first thing provided for in the Constitution is the Congress. Section 1 of Article 1 of that instrument reads: "All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives."

Each Congress may have at least two regular sessions and any extra sessions called by the Chief Executive. Each regular session begins on the first Monday in December. There are 435 voting members of the House of Representatives and 96 members of the Senate. The entire membership of the House is elected every two years. Many of the members are re-elected but, since the House members are elected for a term of two years, the House itself is considered new every two years. That is how the Congresses are numbered.

Members of the Senate are elected for six-year terms and only one-third of the membership, namely 32 senators, are up for election every two years—not the same one-third. It is a rotating system devised by the framers of the Constitution to make sure that in at least one House of

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Congress there would be two-thirds of the members who had served in a previous Congress. In practice almost a majority of the House find themselves re-elected for successive terms, as the people have shown they believe in the idea of giving their representatives more than two years in which to learn how to be of service to them. In fact, it is not uncommon for members to serve a number of terms, for there is no objection to the third term idea so far as it concerns members of Congress.

Under the system of representation in the lower House on the basis of population, the membership in the House has gradually increased with every decennial census until under the census of 1910 there were 435 members. It was not until the 10th census in 1880 that the membership exceeded 300. Congress failed, however, to make a reapportionment based on the census of 1920 until the special session of the 71st Congress in the spring of 1929. Many causes operated to defer reapportionment during this period. On the one hand was the thought that further increase in membership would make the House even more unwieldy, and on the other hand there developed a very strong opposition on the part of the agricultural states against a reapportionment on a population basis, which because of the growth in urban population would give the cities a preponderant representation.

The Reapportionment Act of 1929 did away with the system of increased representation and substituted one by which the number of members of the House is fixed at 435, and these are reapportioned among the states according to the method last employed in computing the representation in the House, which is the system known as major fractions. This law also provides that if Congress fails in the short session to enact legislation for reapportionment, the representation reported by the President as based on the census automatically goes into effect in the next Congress.

The organization of the House and Senate is usually a perfunctory affair. The party leaders agree in advance on the exact method of organization and in relatively short time the routine of organization is accomplished. Thus, if the Republicans have a majority, the leaders meet informally ahead of time and decide which members shall belong to particular committees and who shall be speaker and floor leader and who shall be chairman of the important committees. The minority party meets, too, and decides where its new members shall be assigned. The majority usually accepts the list made up by the minority on committee assignments and it is also accepted that the majority party can have more members on a committee than the minority. Likewise the policy of the minority usually is to allow the ma-

jority to organize the Senate, control the committees and elect their own officers.

Although there are many who will disagree with the statement that politics is the least interesting part of a session of Congress, perhaps not so many will disagree that at least it may not be the most important. Politics furnishes the sensations, the gossip, the atmosphere, of a session but a vast amount of serious work is undertaken for a vital purpose. Numerically speaking, politics plays an incidental part in most of the bills. On major issues of course there is political maneuvering but most of the bills and resolutions are local and sectional and it is not uncommon to see men of opposite parties from the same state supporting the same bills or resolutions when they are local in effect.

Thus about 24,000 bills are introduced nowadays in every Congress. All but a few are private bills relating to pensions, the building of bridges or the correction of injustices in the operation of previous laws. Any member has the right to introduce as many bills as he or she likes—there are six women in the House of Representatives—but it is one thing to introduce a bill, quite another to get action on it. Every bill introduced is immediately referred to a committee and given a number. Each committee decides which of the many bills referred to it is worthy of consideration. When action is taken,

a formal report is made to the House or the Senate as the case requires. Then the bill takes its place on the calendar. Yet that does not assure its being voted on because a steering committee of the majority party decides which bills on the calendar shall have right of way. If that steering committee tries to kill a measure, a majority of either House may vote to consider it. So the majority controls what shall be voted on and if the minority does not assert itself it is a sign of acquiescence in the process of killing or delaying bills in committee.

The task of sifting and selecting legislation that is worthy of action can be well imagined when we consider that out of 18,312 bills introduced in the House of Representatives in the 69th Congress and 6,417 introduced in the Senate, only 1,423 became law. Of that 1,423 only 887 were general bills. The rest are what are known as private bills. What happened to all but the 1,423 out of that total of 24,729? Just 2,151 of them got far enough to be reported out of committee; 444 passed the House but failed to be passed by the Senate; 258 passed the Senate where they originated but did not meet the approval of the House or were not up for a vote. So a small percentage, about six per cent, wins action. Bills that fail in one Congress must be reintroduced in the next Congress and go through the whole process of committee con-

sideration and passage by either House to get the same status they once occupied. A bill introduced in one Congress, however, retains its status throughout both sessions of that Congress—that is for two years.

In the House, debate is regulated by rules which permit the majority to limit the time of discussion. In the Senate, debate is unlimited unless two-thirds of the members decide to limit discussion.

To understand the legislative branch of the American government, it is essential that its rules be studied. One might as well try to read an isolated decision of the Supreme Court without first knowing the provisions of the Constitution on which such decision is based.

The American people in recent years have manifested a certain impatience with Congress, a tendency to brush aside its rules as cumbersome and irrelevant. And yet the rules of the House of Representatives and the Senate are the basic principles of liberty embodied in formal procedure. Parliamentary rules are centuries old. They are as essential to representative government as a constitution. The theory of parliamentary law is that legislative bodies should be conducted in orderly fashion so that the minority will acquiesce in the decisions of the majority. Otherwise there would be revolution. In certain republics the unwillingness of the minority to

accept the will of the majority has led to bloodshed. It is conceded by historians that the mode of deliberating by the National Assembly was one of the chief causes leading to the French Revolution. Much of the violence in the Assembly would have been allayed and many rash measures unquestionably prevented if the proceedings had been conducted with order and regularity.

American and English schools have taught parliamentary law for generations so that it has become natural for the American citizen to accept the principles of procedure as essential to a deliberative body. Thomas Jefferson in his manual of parliamentary practice which is still the code of the House of Representatives says:

“As it is always in the power of the majority, by their numbers, to stop any improper measures proposed on the part of their opponents, the only weapons by which the minority can defend themselves against similar attempts from those in power are the forms and proceedings which have been adopted as they were found necessary, from time to time and are become the law of the House, by a strict adherence to which the weaker party can only be protected from those irregularities and abuses which these forms were intended to check and which the wantonness of power is but too often apt to suggest to large and successful majorities.

“And whether these forms be in all cases the most rational or not is really not of so great importance. It is much more material that there should be a rule to go by than what the rule is; that there may be a uniformity of proceeding in business not subject to the caprice of the Speaker or captiousness of the members.”

There is something typically American which dislikes obstacles, which seeks to have business despatched quickly and yet effectively. Many a session of Congress with innumerable roll calls and filibusters and other weapons of delay will be witnessed from the galleries by visitors who go home wondering how the seemingly farcical procedure can be reconciled with the dignity of a legislative body.

At best all legislation is a compromise. So is the procedure which governs the management of legislation. The rules of Congress are nothing more than a compromise between majority and minority as to what constitutes a fair discussion. There are disadvantages in all rules, some instances no doubt of abuse by a minority, but there are, on the other hand, many instances of great abuse which have been attributed to the arbitrary exercise of power by majorities.

Hatsel, one of the most famous of the parliamentarians of history, said:

“It is much safer to trust to time and to circumstances which sooner or later dispose the

minds of men to accept and approve of such propositions as are really for the public good than to obtain even the best of bills by breaking down those bounds and fences which the wisdom of the past ages has set up; and to let in disorders and confusions which may finally prove fatal to the security, perhaps to the existence of the Constitution."

Tolerance is as essential inside as outside a legislative body. The mystic thing we call public sentiment is merely an acceptance by the people or a rejection by the people of laws that have been enacted presumably for their welfare. Laws depend in the last analysis on acceptance by public sentiment. Laws which are pushed through legislative bodies by unfair means usually result in such disturbances of public sentiment as to imperil the permanency of those laws.

Improvement no doubt will come in time. There already have been many changes as the House of Representatives has grown gradually larger. A house of 435 members must do its principal work in committees. This delegation of power is not absolute for a committee report can be accepted or rejected by the majority of the House, but it usually means that in a committee of 25 with hundreds of bills to study a few members will familiarize themselves with the subject so as to be able to lead the debate and influence their fellow members. It is not unusual for two

men on opposite sides to be the only ones who have thoroughly examined a piece of legislation. Under such circumstances the will of one man can influence a majority as the will of one man can influence a minority. Each is a leader to whom the factions have temporarily delegated their confidence. Rules must be broad enough to enable a minority to have its say and to endeavor to influence the majority to its way of thinking. The House of Representatives has often in American history reversed itself.

Because Congress has grown so large and its sectional interests are so numerous there is a tendency to belittle its achievements. It may be no consolation to the critics to say that the American Congress is an efficient legislative body compared with those of other democracies. But it is a fact that those who study Congress at close range learn to respect its procedure as the best compromise thus far developed. Too much emphasis has been laid on the sensational and too little on the really important work of Congress so that a proper perspective is not always permitted the distant observer. The critics have spent so much of their time abusing Congress that they have tended to discourage young men from entering public life. There are of course in every representative body some able and some mediocre men. We shall not improve public service by painting it as unattractive. We will

improve the caliber of Congress when we begin to recognize the really constructive work done by its able men.

III

THE COMMITTEE SYSTEM OF LEGISLATION

Committees are the real sources of legislation. There are 46 regular or standing committees of the House and 34 committees of the Senate. But besides these, there are special, select or joint committees, which cease to function as soon as a particular work is completed. Each branch of Congress has a steering committee comprising the active leaders. Every resolution or bill or petition is referred to an appropriate committee. Despite the impression that Congress passes too many laws, a careful examination of the work of the last few sessions will show that relatively few laws are of general interest. Of these a small proportion may be said to be unobjectionable or such as to merit unanimous approval. It is the very fact that these general bills invite controversy which makes the legislative process relatively small. Before a bill can be acted upon by either House, it must be reported from a committee with a definite recommendation—favorable or adverse. Before a committee is ready to make a report on a bill there usually must be thorough discussion and possibly public hearings. Then there is a calendar on

which bills have a certain priority. Most of the bills referred to a committee never emerge therefrom to the House or Senate. If a report is made to the House or Senate, the opportunity for debate comes when the bill is reached on the calendar. Maneuvering to delay bills is almost as much a part of the strategy of those who would defeat a measure as lining up the necessary votes to prevent its passage. And when a bill is finally passed by the House the same bill or one very much like it must go through the committee process in the Senate, be voted on as one or more amendments and then the House bill is ready for a conference committee of both Houses to consider. Differences are ironed out in conference wherever possible, but if the conferees from one House decline to assent to the amendments sponsored by the other House, such a disagreement might mean the death of that piece of legislation. So the conference committees are as powerful as any in Congress. Their reports may be rejected by either House and the legislation killed, but if the conference report is accepted by both Houses, the bill in question is ready for the President's signature or veto.

When the long and roundabout journey that a bill must take through Congress is considered the wonder is that any legislation is passed. Obviously such legislation as does pass is the result of compromise for it is in many cases within the

power of the minority to block action until concessions can be obtained in the form of amendments.

There are two committees whose work is little understood. One is called the "Committee of the Whole," and the other, "The Committee of the Whole House on the State of the Union."

These are parliamentary creations intended to facilitate the work of the House so that it may resolve itself, without the membership leaving the hall, into a less formal body where roll calls may be dispensed with. Thus when the House of Representatives sits as a House, any member can obstruct proceedings by making a point of no quorum and if 218 members out of the total 435 are not present they must be found before the House can proceed, unless, of course, the point of no quorum is withdrawn. If the House should sit as the "Committee of the Whole on the State of the Union," only 100 members need appear as a quorum and instead of a roll call, requiring about twenty-five minutes—sometimes only eighteen—no roll call is necessary. Voting is done by having the ayes respond as a unit and the nays as a unit, or else the division is by tellers which means that those present vote by passing between two tellers, the leading sponsor and the leading opponent of a pending measure standing at the head of the main aisle and counting those for or against as they pass between the tellers.

"The Committee of the Whole" considers

what are known as private bills, whereas, in "The Committee of the Whole House on the State of the Union" there are considered all revenue and appropriation bills and other fiscal measures.

A member may move to discharge any committee from consideration of any bill or resolution referred to that committee, and if 218 members sign the motion it will be put on a calendar of motions to discharge and the moving member can be recognized on the first and third Mondays of each month thereafter to call up the motion and get the measure out of the committee. The rule is that such bill is placed on the calendar to which its nature assigns it and await consideration as in the case of a reported bill.

The system of committee machinery to relieve Congress of much of its routine and detail dates back to the earlier days of the Nation. The founders of the Republic decided that Congress as a permanent body must evolve some kind of a working organization. They decided that, as between one ruling committee to control all legislative business for the House, and the distribution of legislation among a number of small bodies, the latter system was more practicable. And so the committee system has grown and now every bill and resolution, every petition and memorial, is referred to some appropriate committee in the House where such document is filed.

Under the committee system, the interest of

members is concentrated in the small and more workable body and there even the most obscure member, in whatever committee he belongs, has opportunity to air his views on the particular legislation over which that committee has jurisdiction. The committee system vests in the chairman much power in shaping legislation because he has charge of his committee's legislation on the floor of the House, unless he should give way to a committee colleague. The ranking minority member of the committee, either of the opposite party to the chairman or of opposite views to the chairman on a particular piece of legislation, assumes charge of the opposition.

The committees head off a mass of unnecessary legislation that otherwise would clog the working machinery of the House itself. The same is to a considerable extent true of the Senate, where, however, the rules are more liberal with respect to an individual member and a minority can filibuster and resort to obstructive tactics far more than in the House.

After the committees report a bill or resolution, it is listed on one of the House calendars. At stated intervals, after the disposition of unfinished business, the Speaker is required to call each standing committee in regular order, and then the select committees. As each committee is called its chairman may call up any bill previously reported by that committee. Under the

House rules a committee can occupy a day but twice in succession without giving way to other committees.

All this may appear to be cumbersome process, but nearly every step in the committee system has been devised for a purpose—usually to protect the interests of people who may be affected by legislation. Much of the work of committees is secret. But with the watchful eye of the press and with the minority ready to tell what has happened, the abuses of the system are not so numerous as they used to be.

IV

THE "FILIBUSTER"

We often hear it said that there is nothing new under the sun. What is meant no doubt is that human nature does not change. The filibusters in the Senate of the United States are not much different from the filibusters in the Roman Senate of ancient days. Suetonius writes that when Julius Cæsar was a member of the Senate he would not vote to execute the accomplices of Catiline. He filibustered against the proposal until the guards threatened him with death until he yielded. Robert Luce, in his book entitled "Legislative Procedure," recalls the old filibusters of Roman days thus:

"Cato the Younger in his stout fight against Cæsar and Pompey resorted to obstruction with a craftiness not surpassed by present-day zealots. Once when an hour had been assigned to his chief supporter, it was wasted in lamentation over the shortness of the time. Then Cato used up the two hours assigned to himself by talking on minor and irrelevant matters, reaching the real issue at just the right time to give the impression that he was being cut off when he was about to say something of real importance that

the dominant faction wanted to suppress. To heighten the effect, he persisted in speaking after the presiding tribune had ordered him to stop, whereupon he was dragged from the rostra and ejected from the Forum. Not yet silenced, however, he returned several times, shouting his complaints. It all might have happened much the same yesterday in some American legislature, with this morning's papers mourning over the shameful decadence of statesmen, denouncing obstruction, demanding that the rules be changed so as to permit business to be done."

We are told that the word "filibuster," which was originally applied to military adventurers in foreign lands, came to be used to describe the obstructive tactics in Congress because the majority deemed these tactics piratical and lawless.

There have been many notable instances of filibusters in American history. A controversy over the payment of witnesses summoned at the impeachment trial of Judge Chase in 1803 was one of the first. Randolph, who had conducted the filibuster, resorted to the same tactics eight years later. On that occasion the House sat for eighteen hours with interminable speeches. Thomas Jefferson was one of the first to suggest, in 1810, that a cloture rule limiting and controlling debate be adopted. It was not until the 47th Congress, however, that a rule was agreed upon to prevent dilatory motions. Grad-

ually the filibusters took advantage of other devices. The usual method was to offer amendments and talk about them at great length.

There was a notable filibuster on the "Force Bill" in the winter of 1890-1891, which consumed the greater part of two months. The next filibuster came in 1903 over the motion to repeal the purchasing clause of the Sherman Law. One speech lasted sixteen and one-half hours. Of this occasion Mr. Luce has said: "In the end the filibuster failed because there was no March 4th near enough at hand." In March, 1901, Senator Carter defeated a river and harbor bill by a filibuster; and in 1907 Senator Carmack of Tennessee defeated the ship purchasing bill. A famous filibuster was conducted by Senator LaFollette in May, 1908, against the Aldrich-Vreeland Currency Bill, but it failed. The Wisconsin Senator held the floor for eighteen hours. Senator Reed Smoot in the filibuster of 1915 over the ship purchase bill broke the record for continuous talking, as he spoke for more than eleven hours without being helped by any roll calls or calls for a quorum.

It was on the armed neutrality bill at the close of the 64th Congress that the change came in the rules of the Senate, whereby, under certain conditions, cloture can be invoked. President Wilson at that time issued a statement saying:

"The Senate of the United States is the only

legislative body in the world which cannot act when the majority is ready for action. A little group of wilful men, representing no opinion but their own, have rendered the great government of the United States helpless."

This incident led to the adoption by the Senate of a rule that debate can be brought to a close if two-thirds of the Senate desire to do so, under which a petition in writing must be presented by 16 Senators, and then the vote is taken as to whether the debate shall be limited to one hour for each Senator. It is not considered an effective rule, because in the closing days of the session enough Senators may be found to carry on the debate, even under the rule. As a matter of fact, the difficulty is to pass a cloture rule when there are so many conflicting interests.

Senator Norris of Nebraska has brought forward a proposal which is looked upon by a great many people as possibly a partial solution of filibustering. Senator Norris does not think it can be remedied by changing the Senate rules. He thinks the difficulty is with the short session of Congress, which automatically expires on March 4 every other year, and then there is a lapse from March to December when the next regular session begins. The President can call a special session immediately after March 4, but there is no obligation upon him to do so.

Senator Norris' suggestion has been embodied in a proposed amendment to the Federal Constitution to abolish the short session and provide, in effect, for two years of continuous sessions if necessary. This amendment, in various forms, passed the Senate three times but failed to receive the necessary two-thirds in the House during the first session of the 70th Congress.

V

THE PRESIDENT'S POWER

The Presidency of the United States has in recent years been proclaimed as the most powerful office in the world though not a single power has been added since the days when the original Constitution was framed in 1787. Amendments have added to the powers of Congress, but the executive power has never been extended by the Constitution.

And yet the President of to-day is more powerful than the President of a hundred years ago. This is due to the interpretation of the scope of the executive power by Supreme Court decisions and to the tendency of Congress to delegate discretionary authority to the President. Many laws contain the fundamental principles which Congress seeks to have followed, but to the President is frequently left the right to decide whether a certain course of action shall be pursued.

The greatest increase in power has been through the power of appointment. As the Federal government has grown so has the problem of administrative personnel increased. To-day it is often declared that policies are mere matters

of personal execution and that the control of a commission or board or bureau by the President is possible through the selection of an official whose views harmonize already or will tend to harmonize with those of the executive.

To the extent that the theory of complete responsibility by a political party is accepted the power of appointment affords nowadays a means of administrative control which modern political leaders of the United States prefer to systems in vogue in other countries where minority and majority are represented in a sort of coalition government. The coalition idea is not provided for anywhere in the Constitution and Congress itself has failed to specify that subordinate officers in the executive branch shall be chosen from particular parties. The practice of designating bi-partisan representation is confined only to a few boards or commissions. Even the bi-partisan boards are not always truly representative of opposite parties as the President has the opportunity to learn in advance the views of a prospective appointee and to make his choice on a basis of what individuals will actually co-operate instead of obstruct.

“The President shall be commander-in-chief of the army and navy”—in these few words a great grant of power was made by those who wrote the Constitution. It makes one man supreme both in time of peace and war. It

means that the President has absolute control of the war and navy departments, even apart from the usual authority he possesses over the departments. He cannot control the expenditures, however, as these are fixed by Congress at all times, but control through personnel as well as control of their every act is sufficiently extensive to cover all emergencies.

The President has power to grant pardons, but only, of course, for offenses committed against the Federal laws. He is powerless to pardon a criminal convicted by state laws. The President cannot pardon an officer who has been impeached.

Take another clause:

"The President shall have power by and with the advice and consent of the Senate to make treaties provided two-thirds of the Senators present concur."

Thus does the Constitution outline the method of making international agreements, but there has developed from that sentence the implication that the initiative in the development of foreign policy lies with the Chief Executive who nominates and appoints the ambassadors and ministers to speak for him to foreign governments.

The President is obliged to give Congress "information on the state of the Union," and may recommend measures for the consideration of Congress, but in respect to legislation his

greatest power is the right to veto against a majority of both Houses of Congress. It takes a two-thirds vote of both Houses for a bill to become a law that has been vetoed.

While the President has this power over bills, his consent is not required to make effective certain resolutions governing the activities of investigating committees and other committees of Congress. Nor is the approval or disapproval of the President required for the submission of a proposal to amend the Constitution. Indeed, the President has nothing to do with the actual process by which the Federal Constitution is amended. An amendment when passed by a two-thirds vote of both Houses is then submitted to the states and when three-fourths of the states have approved, the amendment is duly proclaimed by the Secretary of State. A President may, of course, recommend to Congress that a constitutional amendment be passed. If also an effort should be made to repeal any existing amendment, the President has no power to veto or to accelerate the repeal except such power of appeal as he may personally have with his fellow citizens and with Congress.

The grant of power which has been susceptible of wide interpretation is that which bestows on the President the obligation to execute the laws of the United States. The exact wording of the clause is that "he shall take care that the laws be faithfully executed."

Under this provision the President is in effect a judge of the conduct of the officials as well as of the policies they may pursue. The Constitution gave the President the right of appointment with the advice and consent of the Senate, but did not say whether the Senate should concur in removals. The Supreme Court recently has decided that the power of removal is absolute in the Presidency, even though Congress has tried by law to be a party to the process of removal.

The Supreme Court has also held that a President is not limited by the express terms of a law, but may order that all acts be performed which appear to him to be reasonably necessary as a consequence of the original delegation of authority. The Supreme Court, to be sure, has taken literally the statement in the Constitution that "the executive power shall be vested in a President of the United States."

The tendency in the last fifty years has been to regard the executive establishment as the institution through which the will of Congress, acting in behalf of the people, shall be expressed. Thus the executive machinery is in effect ordered to function in accordance with principles set forth in a multitude of laws and regulations. As the country has grown and administrative functions have accumulated, the executive establishment has so increased that its activities are often unknown to Congress as well as the

citizens. It is natural for members of one session of Congress to be familiar with the laws passed in that or a preceding session but many of the functions were prescribed years ago and thus it is not surprising to find unfamiliarity with all the detailed functions of government even in Washington.

VI

ADMINISTRATIVE TASKS

In dealing with the executive branch of the government, we are accustomed to think of the Presidency as the single office which supersedes in authority everything else. The truth is there are what is known as the independent establishments which while not directly connected with the ten executive departments or with the judicial branch of the government bear a relationship to both. There are 28 of these commissions and boards. Thus the Interstate Commerce Commission, The Tariff Commission, the Federal Trade Commission, The Shipping Board, the Federal Reserve Board and the Board of Tax Appeals all are administrative institutions whose functions are partly judicial and partly executive but they are the creatures of Congress just as much as are the government departments themselves. Their members are appointed by the President but once the appointments are made the individuals are presumed to be detached from all control by the Chief Executive, except of course in case of such misbehavior as would justify removal.

Not so, however, with respect to the members of the Cabinet who are removable at will by the

President and who are in every sense his immediate assistants. The 10 members of the Cabinet are really administrative officers. They exercise authority by direction of the President. In the sense that we find the President delegating nine out of ten things to be acted on without direct reference to him they really exercise the authority of the Presidency itself.

Government could hardly be managed in any other way. No man could actually administer the entire government. Indeed, even the 10 Cabinet officers delegate much of their work to assistant secretaries who in turn rely on the advice and judgment of chiefs of the bureaus which are composed of divisions or sections each charged with a particular activity.

Contrary to the general belief, the subordinate personnel below the rank of assistant secretary does not change very much. It is this subordinate personnel which keeps the government functioning smoothly without regard to the political party in power. The public judges each administration on certain essential policies but the bulk of the work is carried on about as efficiently under one administration as another for the reason that the same personnel handles the detail. Some of the departments expand and require reorganization, but the turnover in the non-political side of the executive branch of the government is relatively small.

It is sometimes difficult to know which bureau or division has charge of a particular activity. In fact, the relationships of the many bureaus to each other are not thoroughly known in the government circle itself. The Bureau of the Budget, for example, is in the Treasury Department but the Director of the Budget reports directly to the President. The Comptroller General has auditors in nearly every department but he is responsible to Congress. Some of the independent establishments have always been regarded as subordinate to the Presidency because the President appointed their personnel. They often decline to be classed as part of the executive branch. The power of appointment is basic so the popular belief that whom the gods create they may destroy is to some extent shared in the government group itself, and many of the independent commissions have really resolved themselves into auxiliaries of the executive departments.

The powers of the Presidency are great indeed, but the general idea that there is an every day arbitrary use of power by an individual is erroneous. Virtually every question that comes to the President emanates from a government department in some form. The recommendation of the Cabinet officer is usually controlling. In those instances where a recommendation is unacceptable to the President, a personal confer-

ence is frequently necessary to reconcile viewpoints though often an alternative course is indicated for the President so that he may make the decision himself.

Most Presidents have found that they cannot possibly master all the details of a given situation and that they must depend at least for a statement of facts on the heads of departments. Occasionally a President takes a fancy to a particular department and familiarizes himself so much with the detail that he becomes to all intents and purposes the head of that department. President Wilson was in effect his own Secretary of State. This is the exception rather than the rule. Both Mr. Harding and Mr. Coolidge delegated authority and therefore maintained a government by Cabinet. To a certain extent this type of administration was more intensely developed under the Coolidge administration than any in the last quarter of a century.

On very important matters of policy, no Cabinet officer will venture a decision without acquainting the President with the facts and a definite recommendation. When the recommendations of different Cabinet officers conflict, especially if they each have a relationship to a special problem, the task of the President is even more delicate and difficult. He must decide as between his advisers and convince them that the final decision he makes is wise. This conflict

of opinion does not occur very often, but it does occur often enough to test the tactfulness of a President as well as his keenness of insight into a particular problem. No President could therefore make an effective appearance before public opinion very long who depended entirely on his Cabinet. The President is the check against any overstepping of authority by his Cabinet officers and the amazing thing about most Presidents is that when once they undertake the responsibilities of this high office they suddenly develop a faculty for absorbing detail which their friends usually declare they never have exhibited before. It is a case in which responsibility brings out executive ability.

VII

JUSTICE WITHOUT POLITICS

When Congress adjourns many people wonder what possible interest there can be in government at Washington. They little realize that the judicial and executive branches remain in session and that together their decisions may affect more profoundly the destinies of the people than what Congress may or may not do in a brief session.

Take some recent decisions of the Supreme Court of the United States, decisions which indicate, for example, how powerful is the voice of the Interstate Commerce Commission in valuing the properties of the railroads, how restricted is the power of a state to prevent a business from selling products at whatever price it pleases so long as there is no monopoly involved, indeed, how futile it is for a member of the Cabinet to exceed his authority as, for instance, in leasing oil lands—for the Supreme Court without regard to the politics of a problem renders its verdict on the law and the facts. It was a Republican Secretary of the Interior condemned by the Supreme Court. Yet, the decision of that body was unanimous—Republicans voting with Democrats.

History shows that Justices of the Supreme Court have never felt obligated to follow in their decisions the political trend of the men who gave them their places on the bench or the party to which they had belonged. Says Charles Warren who has written a masterful narrative of the Supreme Court:

“Judges appointed by Presidents Jefferson and Madison did not hesitate to join with Chief Justice Marshall in sustaining and developing the strong nationalistic interpretation of the Constitution so obnoxious to Jefferson. Judges appointed by President Jackson joined with Marshall and Story in supporting the Cherokee missionaries against Georgia in flat opposition to Jackson. The whole bench appointed by Jackson decided against his policy in relation to the Spanish land claims. Judges appointed by President Jackson and Van Buren threw down the gauntlet to the former by issuing a mandamus against his favorite Postmaster General. In every case involving slavery, anti-slavery judges joined with pro-slavery judges in rendering decisions. The constitutionality of the obnoxious fugitive slave law was unanimously upheld by anti-slavery Whig judges and by pro-slavery judges alike. A Northern Democrat joined with a Northern Whig judge in dissenting in the Dred Scott case. President Lincoln’s legal tender policy was held unconstitutional by his own appointees. The

reconstruction policies and acts of the Republican party were held unconstitutional by a Republican bench. The constitutional views of the Democratic party as to our insular possessions were opposed by a Democratic judge who joined with his Republican associates in making up the majority in the Insular cases. Nothing is more striking in the history of the court than the manner in which the hopes of those who expected a judge to follow the political views of the President appointing them have been disappointed."

Charles Evans Hughes in his recent lectures at Columbia University on the Supreme Court of the United States has added two other examples. He said:

"President Roosevelt was deeply interested in the prosecution and success of the suit brought to dissolve the Northern Securities Company. He had appointed two Associate Justices, but one of these, Justice Holmes, joined with the appointees of President Cleveland in dissent, writing a strong opinion against the contentions of the government. Very recently the Supreme Court decided a question which had remained open from the foundation of the government as to the President's power of removal. The case arose out of the action of President Wilson in removing a postmaster of the first class without the advice and consent of the Senate, although the postmaster had been appointed under an act

of Congress which provided for removal with such advice and consent. President Wilson's action was sustained by the court in an opinion delivered by the Chief Justice, a former Republican President, but both the Associate Justices appointed by President Wilson, namely, Justice Brandeis and Justice McReynolds, who had been attorney general under President Wilson, dissented, being of the opinion that the action of President Wilson had been outside constitutional power. If conscientious, able and independent men are put on the bench, you cannot predict their course as judges by reference either to partisan motives or to personal or party loyalties. If you could get further down to the bed-rock of conviction as to what are conceived to be fundamental principles of government and social relations, you might be able to get closer to accurate prophecy."

Mr. Hughes lucidly explains just how the Supreme Court actually functions. He writes:

"While the Chief Justice has only one vote, the way in which the court does its work gives him a special opportunity for leadership. At the conference it is the practice for the Chief Justice, unless he desires otherwise, to be the first to state his opinion with respect to the case to be decided; he gives his opinion first and votes last. After a decision has been reached the Chief Justice assigns the case for opinion to one of the members

of the court, that is, of course, to one of the majority if there is a division and the Chief Justice is a member of the majority. If he is in the minority, the senior justice in the majority assigns the case for opinion. When assigning cases, the Chief Justice may retain any cases he pleases for himself. It is recognized that he has sole control over the assignment of opinions and his assignments are never questioned. In this way he has an important choice among the judges in the distribution of the important cases. It might be supposed that this method would be open to objection, but it has worked well. I regard it as far better than the method of some courts of assigning cases in rotation so that the judges know when the case is argued, unless there is some division making a different assignment necessary, who is going to write the opinion. In the Supreme Court every judge comes to the conference to express his views and to vote, not knowing but that he may have the responsibility of writing the opinion which will accord with the vote. He is thus keenly aware of his responsibility in voting. It is not the practice of the Supreme Court to postpone voting until an opinion has been brought in by one of the judges which may be plausible enough to win the adherence of another judge who has not studied the case carefully."

Nor does Mr. Hughes reveal any confidences

gained while on the bench, for in other published records the process is described in much the same way.*

*Any one studying the Supreme Court will find very useful the book written by Professor Burdick of Cornell entitled the "Law of the Constitution" as well as the lectures by Charles Evans Hughes now in book form.

VIII

WHERE OUR MONEY GOES

It was in 1842 that Congress decided that the fiscal year should begin on July 1st and end twelve months later on June 30th. This was done to avoid the necessity of appropriating money too far in advance. Thus whenever Congress ended its short session on March 4th the authorization to spend would not begin on a calendar basis until ten months later, a situation which was deemed unwise.

Around four billions of dollars a year was received in each of the last seven years by the Federal government. How was it spent? Since 1920 there has been a surplus of receipts over expenditures but the expenses of the government have been in the neighborhood of three and a half billion dollars except in 1920 and 1921 when they were much higher. In the same period surpluses ranging from 250 million to 635 million have been applied to the retirement of the public debt in addition to retirements chargeable against ordinary receipts. Out of the total receipts of about four billion a year in the period, not more than twenty per cent has gone to the so-called civil side of the govern-

ment. The other eighty per cent or more has been paid for past wars, pensions, veterans' compensation, interest on war debt and national defense in case there should be a future war. Fully eighty per cent of the Federal taxpayer's dollar goes to war expense either directly or indirectly. To put it another way, that is the amount it costs the present generation to pay for the defense and security of the nation and its opportunity to develop its position among the powers of the world.

The largest single item of expense is interest on the public debt. That is why the government is trying to reduce the principal as rapidly as possible. Since the great war more than nine billions have been paid off leaving a public debt to-day of almost seventeen and a half billions. Each year's surplus has heretofore been used to retire the public debt and this has resulted in cutting down the interest charges each year. Experts have figured that there is very little opportunity for great economies in the next few years on the administrative side of the government for the cost of administration is a relatively small proportion of the total expense of the Federal government.

The greatest reduction will come in interest payments if the principal is constantly reduced. Nine hundred million dollars were applied to debt reduction in the fiscal year 1928. The fiscal

year 1928 ended with a surplus of nearly 400 million and the law provides that out of the annual budget a sinking fund of about 250 million shall be set aside to retire the public debt, plus a secondary credit increasing in amount each year. In 1928, total sinking fund retirements amounted to 355 million. The American people have been setting aside nearly four times the original credit authorized in the sinking fund to be set aside for debt payment. The actual reduction in the annual interest charge from its high point to November 30, 1928, has been 425 million dollars, of which 51 millions is attributable to the fiscal year 1928.

In addition to this, the government has constantly reduced the rates of taxation ever since the war. Each administration has followed the policy of trying to cut down the public debt and at the same time reduce the rates of taxation.

It is usually difficult for the government to balance absolutely the receipts against expenditures and that is why there is a surplus. But the policy of budgeting so as to leave a small surplus each year to apply toward reduction of our large public debt, is eminently wise and proper.

It is frequently asked why the government borrows money if it always has a surplus. The reason is that Liberty loans issued during the war have to be replaced with new borrowings

just as a man who has a mortgage on his house coming due either pays off the mortgage or gets a renewal at the same rate of interest or gets a new mortgage at a lower rate of interest. The government by reason of its increasing financial strength has been able to borrow money at lower rates of interest since the war than during the war and thus replaces the securities outstanding with other securities on which the interest charges are less expensive.

But the government also borrows money even at intervals when the war securities are not maturing. This is because receipts come in unevenly and the government has to pay out its money at irregular intervals. These short-time borrowings are due to the fact too that as soon as funds accumulate the government uses them to pay off outstanding public debt and thus saves interest charges, knowing full well that each quarter of the year when it needs money it can issue treasury certificates and borrow whatever is needed.

Analyzing the 687 million dollars spent for civil expenditures in 1928, about 121 million pays for general government such as the expenses of Congress, the executive office, and general administrative operations in the Treasury, the Civil Service Commission and the maintenance of public buildings. Other groups of expenditures follow:

About 67 million used for internal security under which are included, immigration, naturalization, public health, and law enforcement.

About 167 million used for development and regulation which includes besides education and research, the promotion or regulation of special groups of industries, such as agriculture, banking, commerce, labor and railroads.

About 218 million spent for public domain, public works, good roads, which alone amounts to about 100 millions; and about 62 million is spent for local government including the territories and the District of Columbia and Indian reservations and about 11 million for foreign relations.

All these classifications have about doubled since 1915 but the purchasing power of the dollar has declined since that date and the prices of commodities purchased has varied. Thus we see that 687 million is actually spent on current account out of a total of about four billion. The remainder pays for expenses incurred in past wars and for national defense.

IX

ECONOMICS MINUS POLITICS

Broadly speaking the average man thinks of the national government as a thing apart, affecting him only now and then as for instance when a tax rate is changed or when a passport is needed. Perhaps this accounts for what has generally been described as an indifference on the part of the people toward their government. But it is a fact that government touches the individual much more than casually even though he does not realize it and the increasing interest in Federal government activities which we have witnessed in the last few years may be attributed to a growing appreciation of what government action can mean with respect to the economic life of the nation.

It is not necessary to argue the pro and con of a controversy which is at best academic as to whether there is too much government in business or too little from a regulatory standpoint. Nor need we take issue with those who think the government possesses a sort of paternalism which is a cure for all ills.

Yet we cannot blind ourselves to the fact that in the national capital to-day are being consid-

ered many vital problems with an economic background which affect the business life of the nation and, of course, in the last analysis the prosperity of the individual.

Too often, we assume that party politics and individual ambition plays a disproportionate part in our governmental scheme of things but to the extent that the leaders of parties vie with each other in endeavoring to find a formula to solve the problems of sections and groups in distress, it is a motivating force in legislation which we cannot altogether ignore.

The votes that have been taken in Congress, moreover, in the last few years emphasize that party lines frequently break down when economic measures are presented and that more than ever differences in viewpoint are natural, especially on the complex subjects that seek a solution.

We have, for instance, differences as to how the tax rates shall be levied and what will be the revenue they will produce under different methods of applying either the direct taxes on income or the indirect taxes on industries, articles of general merchandise and so on. The problem of taxation has political aspects to be sure but it is fundamentally a matter of sound economics.

Then there is the ever-recurring discussion of tariff rates, some industries claiming they

need even more protection and some consumer groups insisting they are purchasing at too high a price the protected articles they require. Surely here is need for an economic adjustment of viewpoints.

Again the question of aid for the farmer whether it is brought to our minds through the McNary Haugen bill or any of the other plans for agricultural aid. Here is an industry groping for relief and looking to the all powerful central government to help find a formula which will protect the price of agricultural products against the fluctuating factors in the export market.

Shall we have a government owned and government operated merchant marine capable of giving us a defensive strength for the carrying of troops in time of war and insuring us also of a commanding position in the world's pool of tonnage so that our producers will not be at the mercy of foreign ship owners when it comes to fixing trans-oceanic freight rates? Or shall the government recognizing the paramount need of helping private ship owners grant them aid either through low rates of interest on loans needed to build ships or through other ways so that the private companies may build us a merchant marine for defense and for insurance in world markets? This is obviously another great economic question.

If transportation by sea presents a problem it is no less important to look about us at the competition in ideas being advanced when we consider transportation at home, as in railway consolidation, the regulation of motor bus traffic and the development of inland waterways. The cost of transporting goods is a big factor in the final price to the consumer. The Federal government has always maintained a regulatory power over transportation.

And that brings us to the subject of the coal industry, various measures to regulate which are pending. Fuel like transportation is an essential item in the economic life of the country. Shall coal production be regulated and how?

The oil industry, crying out against over-production and waste of important gases because of the excessive drilling, wants some concert of action to curtail production. How shall it be accomplished—by Federal law or by laws of the states?

Then there are industries seeking the right to combine the purchasers so that they might pool their buying and yet not run afoul of the Sherman Anti-trust law which forbids price-fixing and combinations in restraint of trade. The framers of the Sherman Anti-trust law passed in 1890 could not have foreseen the era of commercial expansion in which we now are absorbed, especially with the growth of com-

binations in industries abroad whose effect is felt on this side of the ocean. The Webb-Pomerene law which permits American companies to combine for the purpose of fixing prices in the export trade is significant of the development of American business in the foreign field. The copper industry has established an export sales agency under the protecting arm of the Webb-Pomerene law.

Then there was the question of flood control. Should the expense be borne entirely by the Federal government or in part by the states and how should the varying economic strength of the local communities be measured so that capacity to pay would be known? On the additional tax burdens levied on those stricken communities depends vitally their power of recuperation and the prosperity of business, large and small, in the regions affected.

When we have enumerated some of these economic problems we have only scratched the surface for there is hardly a geographical section and hardly an important business activity which is not affected by legislation of a general character either seeking to protect the consumer against abuse or to assure the government of needed revenue.

These questions are sketched to illustrate how interrelated is the work of the legislative branch of our government with the economic life of

America and how difficult would these problems be to solve even if we were able to eliminate altogether the personal equation and partisan politics.

When Congress has finished its work and adjourns, is the government's rôle in the business evolution of our country any less important? By no means. For the laws that are passed must then be interpreted. Congress has shown a tendency to increase rather than diminish the discretionary power of administrative officials and bureaus. As much if not more action comes from laws already passed and which are in the process of being administered by the executive departments and independent bureaus and commissions than from the legislative branch.

The executive branch by the regulations it is delegated by Congress to make in interpreting laws reaches into the business of the nation every day whether Congress is in session or adjourned.

This is not all. We usually think of the decisions of the Federal courts and the Supreme Court of the United States as interesting only to lawyers engaged in Federal practice. That is an unfortunate impression. For the truth is the decisions of our courts and particularly the Supreme Court of the United States furnish the nation with principles of business ethics

that are as important as legislation itself. It is commonly said that the judicial branch of the government possesses a kind of legislative power for it defines the limits of congressional authority and frequently shows the area in which congressional action can be enlarged and still remain within the scope of the constitution.

The modern business man who contents himself with a superficial glance at the news of the Federal government or with a casual attitude toward what is happening in the national capital may go on for days and months without encountering the need for study of governmental action and then he may meet some phase which means much to him in a material way and he will discover the value of constantly keeping in touch with the activities of his government. And what is true of individuals in business is equally true of men and women indirectly affected by business or those occupied in professional service.

There is a greater reason for the citizen's interest in his government. He assumes efficiency or inefficiency according as a government action affects him favorably or unfavorably. If he encounters inefficiency he is likely to blame some one else besides himself. To get efficient men to enter the public service—not necessarily the clerical positions so many of which are filled by civil service examination

but the top positions of responsibility—the government naturally looks to those who have made a success of private business. And too often they are unwilling to come to Washington because they do not find their fellow men sympathetic with the idea of public service. If we wish to make our government more efficient and more useful, less meddlesome and more co-operative the answer is to be found in better personnel.

X

REGULATING BUSINESS COMPETITION

There are two ways in which the Federal government can affect business—it can co-operate with business and promote its welfare and it can regulate certain phases of business and protect the public against abuse.

Ever since the Civil War with the gradual rise of big business, there has been a tendency on the part of governmental bodies to regulate business. The first steps came in the state railroad commissions which became a model for the Interstate Commerce Commission established in 1887. Then in 1890 the Sherman Anti-trust law was given us as the broadest of all regulatory powers and in 1898 the Industrial Commission was established to investigate various aspects of business. Then in 1903 came the Bureau of Corporations. Finally in 1914 in the administration of President Wilson, Congress took its latest step—the Federal Trade Commission. The experiment has continued for fifteen years with varying results. Some business men have resented the interference in their affairs by the Commission. Others, particularly the smaller

units, have sought and obtained protection against unfair competition.

Constant changes are made in the practice of the Federal Trade Commission, each step being debated and some steps tested in the courts. Broadly speaking, however, the Commission has developed sufficient strength to be regarded as likely to be retained indefinitely. Amendments are frequently suggested to add to the usefulness of the Commission and to make it more of a co-operative aid to business than an instrument of regulation. When the law was first passed, proposals were made before Congressional committees that the Commission should have power to relieve the doubts of business men and enable them to carry out plans for co-operation with the full knowledge and consent of the Commission. Also it was assumed that the Commission would compel reports from corporations with sufficient data to protect the public interest when necessary. Neither step was taken—the first because Congress gave no such power and the second because legal and administrative difficulties presented themselves.

So the Federal Trade Commission of to-day confines itself to investigations of unfair competition in the broad field of business and industry.

The functions or duties of the Commission may be summarized as follows:

Preventing the use of unfair methods of competition in interstate commerce where it appears to the Commission that the public interest is involved;

Administering certain sections of the Clayton Act, a companion piece of legislation having to do with price discrimination, tying or exclusive contracts, or dealings, stock acquisitions and interlocking directorates, taking place under conditions specified in that law which, stated broadly, may be said to be where the result of the transactions will be dangerous to the free play of competitive forces in interstate commerce;

Investigating general business conditions and especially those relating to monopoly, restraints of trade and unfair methods of competition, and embodying the results of such investigations in reports, often with specific suggestion for remedial legislation or for constructive self-correction of abuses by the industry involved, according to the circumstances;

Administering the provision of the Webb-Pomerene Export Trade Act which gives the Commission jurisdiction over associations organized under that Act for the purpose of export trade, exempts such association from the Anti-trust laws, subject to certain qualifications, and makes unlawful the use of unfair methods of competition among competing exporters

whether employed within or without the United States; and,

Administering a clause of the Federal Trade Commission Act which directs the Commission to investigate "trade conditions in and with foreign countries where associations, combinations or practices of manufacturers, merchants or traders, or other conditions, may affect the foreign trade of the United States."

The keystone upon which the Commission's unfair competition work rests is to be found in Section 5 of the Federal Trade Commission Act, which provides "that unfair methods of competition in commerce are hereby declared unlawful," and requires the Commission to issue a complaint against any person or concern using any such unfair method of competition, if it shall appear in the public interest to do so.

The Commission is a quasi-judicial body and its orders carry no penalty until affirmed by the United States Circuit Court of Appeals, the theory of the law being that the Commission's work was to be preventive and remedial rather than punitive.

In addition to dealing with unfair methods of competition through formal proceedings, the Commission makes use of the so-called trade practice conference and stipulations entered into between it and respondents, under certain circumstances, which provide for the discontinu-

ance of the objectionable practice and are without formality as compared with the procedure provided for cases instituted by formal complaint.

In the trade practice conference representatives of an industry gather together at the invitation of the Commission, though usually in response to a movement having its beginning among members of the industry itself, to give their attention to practices which have been regarded as clearly or possibly objectionable and to take such action as they see fit with regard to defining and condemning such practices. Action taken at these conferences is advisory and informative rather than binding. Nevertheless, the conferences have proved a useful instrumentality in enabling an industry in conjunction with the Commission, to rid itself of objectionable practices.

Turning to the stipulations—where a company is found to have used an unfair method of competition and is willing to enter into a stipulation setting forth the facts involved in the use of such unfair method, and agreeing to discontinue the use of such method thereafter, the Commission disposes of the case by the use of such a stipulation and agreement without publicity, but subject to these provisions, viz., that it will not enter into stipulations where a fraudulent business is concerned, where a legitimate

business is conducted in a fraudulent way, where there is reason to believe that any stipulation and agreement entered into will not be kept, or where for any reason it is considered that the public interest will be better served by a formal proceeding.

In the class of cases thus limited, the Commission has found this a very effective and expeditious way of dealing with separate unfair competition cases, its relative simplicity and absence of formality making it possible to dispose of many times the number of cases in this manner which it would be able to dispose of under the formal procedure instituted by complaint.

No formality is required to institute a proceeding before the Commission. A letter stating what the writer believes to constitute the employment of unfair practices by some concern is sufficient to institute a possible proceeding under Section 5 before the Commission. If the letter clearly discloses that nothing is charged within the jurisdiction of the Commission, it is filed without further action.

If it appears, however, that there may have been such a violation of law, the matter is settled, after further investigation, by dismissal of the charges, or by stipulation and agreement with the concern named in the letter, or by the issuance of a formal complaint followed by a formal trial of the charges, as required by the

facts of the particular case and by the public interest.

It is one of the important duties of the Commission to detect the schemes to deceive and to compel their discontinuance, in order to relieve the public from further imposition and fraud and to foster free and fair competition. Among the unfair methods of competition, condemned by the Commission, may be mentioned the following: Misbranding, misrepresentation, false and misleading advertising, commercial bribery, resale price maintenance, price fixing, trade boycotts and fraud in export trade.

The Commission's economic work has to do chiefly with the conducting of general investigations called for by the President, by either House of Congress or by the Commission itself under Section 6 of the Federal Trade Commission Act. The whole trust problem can be analyzed satisfactorily only by approaching it on the economic as well as the legal side, and the Commission's economic work, therefore, forms a vital part of the Commission's activities. Important acts of Congress have resulted from such investigations, while in other cases they have had significant relation to judicial proceedings or to administrative policies. This economic activity is the continuation and enlargement of the Bureau of Corporations, predecessor of the Federal Trade Commission.

Turning to the Commission's export trade

work, the Export Trade Act, as has already been stated, exempts the associations organized under it, from the Anti-trust laws, subject to certain restrictions. Under this act from 50 to 60 associations file papers with the Commission each year so as to secure the benefits of the legislation in question.

Taken as a whole these associations represent more than 1,000 separate business concerns, chiefly manufacturers or producers, some of the concerns being very large organizations. Their exports amounted to more than \$165,000,000 for the year 1925, a large increase over the preceding year, and, have shown substantial increases ever since.

Under the provisions of the Federal Trade Commission Act which directs the Commission to investigate trade conditions or practices in or relating to foreign countries, which may affect the foreign trade of the United States, the Commission follows such matters as foreign legislation, enacted or pending, relating to markets, exports, combinations, and unfair competition in foreign countries, results of operation in those countries under such laws, including important prosecutions and court cases, and in general, combinations and unfair competition in foreign countries.

The Commission also, in the interest of the foreign commerce of the country, in preventing

ill-will abroad and promoting confidence in American goods and tradesmen, investigates complaints against American importers and exporters, making such investigations informally and without publicity and reporting back the facts ascertained to the foreign country interested through representatives of the Departments of State and Commerce of the United States. Complaints of the kind referred to, which may be reported by American consulates or trade officials in foreign countries, chambers of commerce and other trade associations, or by private individuals, include allegations of defective quality, short shipments, damage en route, delay or failure to deliver, and nonpayment or only partial payment.

The Commission's organization consists of five commissioners, appointed for terms of seven years each and fourteen subdivisions as well as branch offices in New York, Chicago, San Francisco, and Seattle.

XI

STUDYING THE TIDES OF BUSINESS

Not so many years ago, if one man met another and asked "How's business" and if the answer were pessimistic, undoubtedly that had a psychological effect which was passed on and on. It is easy for impressions about business to be formed that way. Happily that method of guessing about business conditions is not as influential to-day as it was ten years ago. We have more facts about business. And in large part those facts are collected by the United States government.

Three letters addressed to the author explain just how in the last decade the fact-finding side of the American government has been developed. The letters are from the Secretary of the Treasury, Andrew W. Mellon, the Secretary of Commerce, Herbert Hoover, and Dr. Julius Klein, director of the bureau of foreign and domestic commerce. Each was asked to indicate the ways the government is helping the citizens of the United States to understand the tides of business. Mr. Mellon wrote as follows:

“Until I came to Washington as Secretary of the Treasury, I did not realize the amount of information which is collected and made available to business each year through the activities of the Federal government. As a banker, I was familiar with reports and bulletins of the Federal Reserve Board, the Comptroller of the Currency, the Secretary of the Treasury, and other reports dealing directly with financial matters.

“But in addition to these, many other government agencies, such as the Interstate Commerce Commission, the Census Bureau, and practically all the government departments, especially the Departments of State, Agriculture, Labor and Commerce, issue a vast amount of valuable information of great use to business men in determining with accuracy what business conditions are throughout the country.

“By studying the statistics of income issued each year by the Bureau of Internal Revenue, a man can learn what has been the total gross and net income of corporations and other business enterprises during the previous year, thus getting a fairly accurate picture from which the trend of business conditions can be studied. The Annual Report of the Secretary of the Treasury has become each year more comprehensive in its review not only of fiscal operations of the Federal government, which are inextricably bound up with current financial and

business operations, but also of conditions throughout the country in so far as they are reflected in the government's revenues.

"Much of this information has been organized and made available within the last two or three decades. In the banking world, in particular, it is possible now to have a more accurate knowledge of financial conditions not only in this country, but abroad; and this knowledge, together with our improved banking methods under the Federal Reserve System, has brought a sense of security in the banking and business world which did not exist twenty or thirty years ago. This is a very real and valuable contribution which the government is making for the achievement of greater stability in business in this country."

Mr. Hoover replied as follows:

"You are perhaps aware that seven years ago I appointed a committee of business men and economists to join with me in a study of the services which the Department of Commerce could properly perform in assistance to American business. This committee enumerated many avenues of such assistance which would be of public value and would not in any way represent interference of the government with business.

"Among the things recommended at that time was an entire revision and improvement in the

services and information to business; that there should be made periodic determination of production, consumption and stocks of different lines of industry; a determination of the trends of production and consumption; the growth or decrease in stocks both at home and abroad; and if possible the building up of this information in such form that the individual business man could form better judgment as to the trends and outlook in his own line of business.

“It was believed by these gentlemen that if this could be done we should have erected a strong barrier against booms and slumps because the individual business man would be able to take safeguards against the approach of speculative periods or the approach of depressions, and further that the total effect of such action would tend to mitigate these disastrous swings in business. The feeling was that no greater contribution could be made to stability in the business world, nor could a greater contribution be made to avoid unemployment of our workpeople or disastrous price falls to our farmers than by such mitigation of the business cycle.

“A great effort has been made in the past seven years to comply with these demands from the business world. The Department has not only revised the whole of its informational services and greatly expanded them, but it has co-

operated with trade associations and other forms of co-operative effort to expand their informational services. The Department has co-operated with the Federal Reserve institutions and many other avenues for the collection and dissemination of such information.

"I believe that the results have justified themselves a thousandfold, and that the remarkable period of stability which we have enjoyed for the past six years has been to some extent contributed to by these services.

"These are emphatically not matters of regulatory paternalism, but simply of co-operation of the government with industry and commerce. There are many directions in which improvements can still be made, but that requires time and continuous effort."

Dr. Julius Klein, one of Mr. Hoover's right hand men, for many years in charge of the great bureau of foreign and domestic commerce and later Assistant Secretary of Commerce answers thus:

"In the first place, the business man of to-day *needs* more information than his predecessor a decade or two ago. Business to-day is infinitely more complicated not simply by the multitude of specialized fields which have grown up since the War, but also because of the enormous improvements in communication and transportation, which have made relationships

much more intimate among once isolated trade centres throughout the world. The mileage of our telephone cables has increased in the last dozen years from 18,000,000 to 51,000,000—an incredible expansion of the 'nervous system' of our business life which may be taken as just one example of the tremendous stimulus to the desire for information and the means for its gratification. The magic of the radio, the astounding achievements of aviation, the complete transformation of marine engineering, the vast spread of electrification, all have made it both necessary and possible for the business world to command an array of timely, precise facts.

"The business man of to-day can no longer exist in comfortable isolation, even if he wanted to. He must know what is going on in his line, not simply locally but in far-flung parts of the world, if he is to conduct his operations profitably. He must prepare for repercussions upon his business from remote areas which were entirely beyond his comprehension or interest only a few decades ago.

"Our foreign trade before the War was made up largely of self-selling staples—cotton, tobacco, cereals, meat—a passive commerce requiring relatively little sales information on our part. So far as manufactured exports were concerned, 90 per cent of them were in the hands of 15 or 20 large companies who had the

resources and world-wide organizations to secure their own trade data.

"To-day, on the other hand, we have a multitude of small manufacturers and dealers prosperously engaged in export, which would be an impossible field for them unless they had at their disposal the impartial, fact-finding services of government agencies. These small or moderately sized establishments are now the backbone of our overseas trade effort. They are largely responsible for the astonishing increase in the number of requests for trade information received by the Department of Commerce, which have risen from about 700 a day early in 1921 to more than 9,000 a day at present.

"To cope with this problem, the services of the Department had first to be reorganized along lines which would insure the availability of the most practical and readily usable information. A corps of commodity divisions was, therefore, established in the Bureau of Foreign and Domestic Commerce in 1921. The purpose of these units was not simply to rearrange the functioning of the Bureau but to provide an effective liaison with each of the major lines of business in the country through which the desires and problems of the latter could be promptly reflected to the Bureau's organization in all of its posts in 40 or more foreign countries.

"As a further means of insuring this inti-

macy of contact with business, some 70 advisory committees were organized among business men in different lines of trade. These groups constitute as many boards of strategy upon the operations of the Bureau in the service of their respective trades. As a result of these new relationships it was soon discovered that the business world demanded, above all, promptness and brevity in such a fact-finding service. Consequently, much more attention is now being given to the transmission of brief weekly cables from all parts of the world giving the outstanding facts as to the trade position of different commodities, competitive data, figures on stocks, price trends, etc.

“An interesting feature of the demands for this service is the undoubted improvement in the understanding of the facts involved on the part of the inquiring merchants and manufacturers. The caliber of the incoming inquiries is vastly better than it was a few years ago. One of the 9,000 the other day was from a small Ohio banker, who asked ‘whether the municipal stockyards of Antioquia paid profits.’ He was interested because he had been asked to take over some bonds of that locality secured by such profits. If the query had come in a few years ago it probably would have been ‘whether Antioquia was an ointment, or disease, or what.’ But to-day the Ohio banker is

quite familiar with this small province of Colombia and asks for certain precise facts, the use for which would have been undreamed of a decade or two ago.

"One important element in the stimulation of such demands for data has been the enormous increase in our investments abroad, which are now well above \$12,000,000,000, having increased nearly \$2,000,000,000 during 1927. These holdings are not confined to large seaboard banks but are scattered throughout the country, and their owners in every case are developing a rapidly increasing interest in more definite data as to the factors affecting the value of their securities.

"In domestic commerce as well, the business world is beginning to turn its energies from the task of improving production technic to the large field of waste elimination in distribution. And the first necessity in this great undertaking is more facts—facts on buying power, on costs of wholesaling, on the precise dangers in various credit policies and more facts about instalment selling, and a more accurate appraisal of markets, etc.

"In general it is quite clear that our business thinking is no longer moving in the good old way from 'hunch to hunch' but rather from *fact to fact*, not simply because our merchants are getting wiser, but because they must know

where they are going; if they don't, they soon cease to exist, commercially speaking. It would be prohibitively costly, if not impossible, for any save the most powerful corporations to build up private fact-finding agencies of assured competence and impartiality. . . .

"The inquiries indicate, for example, that there is an astonishing increase of interest in Latin American trade; the inquiries on its possibilities during 1927 increased some 99 per cent over 1926. They indicate also a rapid growth in the interest in export outlets on the part of small middle western manufacturers. In domestic commerce the leading element in the inquiries is the desire for data on the costs of distribution, doubtless a reflex of the conviction that herein lies the possibility of major improvement during the increasingly intensive competitive conditions.

"Lastly, there is also a growing desire for fundamental analyses of the underlying trends of business. Although the major interest is obviously that of capitalizing immediate trade opportunities, there is, nevertheless, a gradual growing appreciation of the importance of more basic studies. One indication of this is the strong demand for a series of publications on problems in retailing recently issued by the Department. *The Commerce Yearbook*, *The Monthly Survey of Current Business*, and bul-

letins on such once obscure and misunderstood subjects as our international trade balance, have all been widely accepted by business men and are being used as a basis for a process of education of better business planning.

“After all, the most reassuring feature of this whole situation is the evident wide-spread realization on the part of business men as to the necessity for their familiarity with such facts and the best means of using them.”

In all three of the letters are references to the Federal Reserve System. It is naturally a storehouse of information being in touch with 8,000 member banks and the credit condition of thousands of businesses. Randolph Burgess of the Federal Reserve Bank of New York said recently that in 1920 there was a good deal of discussion about the need for more production and while we did not know it at the time the figures later showed that that same period really was one of the biggest periods of overproduction we had experienced. Mr. Burgess remarked that the figures gathered by the Federal Reserve system nowadays make it possible to avoid such mistakes.

It is but one of many institutions which help the government to supply you with information.

Our government collects a vast amount of data and makes it available to every one. Many people, and not a few of them business men,

have never discovered the government of the United States. They think of it only as a regulatory body, a law enforcing instrument. It really is a great co-operative institution gathering information for the general welfare.

XII

THE FEDERAL RESERVE SYSTEM

If it were not for the Federal Reserve System, we might not have financed the war without real difficulty. The Federal Reserve system is often referred to as a preventive of panics. Entirely apart from the benefits which history will record on those two points, it may be said that the Federal Reserve System is the backbone of our business and financial structure to-day.

It is true that bankers are the people directly interested day by day, but after all bankers would not be able to carry on so effectively the immense credit and check transactions of business and individual accounts without the co-operation of the Federal Reserve System. There are more than 8,000 member banks in the system and the non-member banks do business with members so the advantages of the system extend to the whole country. The resources of the member banks total about 41 billions.

Those who have read American history carefully recall how many years the question was discussed of a central bank of issue like the Bank of France or the Bank of England and how also the system of branch banking in use

in Canada had been advocated for the United States.

With a country like ours of such big distances and with the fear of political tampering the central bank idea was not favored, but finally a system was developed which is believed to have all the advantages of a central co-ordinating institution without its disadvantages and all the geographical flexibility of a regional system. That is how we may describe what was done under the Federal Reserve Act passed in the first year of the Wilson administration in 1913 after nearly forty years of academic discussion.

At this point the author quotes a letter written him by the governor of the Federal Reserve Board, R. A. Young. He was asked to give his conception of the present Federal reserve system. He writes:

"For many years prior to 1914 the business interests of America realized the inadequacy of our banking system and much time was spent by committees of Congress and others in investigating foreign fields where many of our credit and currency difficulties did not exist. Out of all this Congress enacted into law our present regional reserve system.

"A regional reserve bank is a unit by itself in its operation as much as any institution operating under a Federal charter could be. Its capital stock and reserves are furnished by its

member banks and its activities are directed by its board of nine directors, the majority (six) of which are elected by the stockholding member banks. In all there are 12 such reserve banks located in Boston, New York, Philadelphia, Richmond, Atlanta, Cleveland, Chicago, St. Louis, Kansas City, Minneapolis, Dallas and San Francisco. Naturally, many national and international credit problems develop wherein co-operation by the system is frequently desirable. Therefore, Congress, under the Act, created a central Board with headquarters in Washington, known as the Federal Reserve Board. Broadly speaking, it is a supervisory body and not an operating unit, although under the law its powers are very far-reaching if it should desire to use them. However, the Board has left the detailed operation of the 12 reserve banks to the 108 directors of those banks who are charged, under the law, with that responsibility.

“A reserve bank performs two distinct functions: one as fiscal agent of the United States government and another as a reserve bank.

“As fiscal agent of the government, the reserve banks have been instrumental in the sale, distribution, exchange, conversion, and redemption of U. S. government securities. Functioning in such capacity, the reserve banks are under the direct supervision of the Secretary of the Treasury.

"It is, however, as reserve banks, that the public is interested in the operation and policies of the regional banks and the System. The country's gold reserve now is largely centralized in the 12 reserve banks instead of being scattered among thousands of independent banks. Of the \$4,500,000,000 of monetary gold in the country, about \$3,000,000,000 are held by the reserve banks. These reserves, so held, have been a basis of credit extension and of note issue.

"Naturally, this has brought about many changes in our banking practice, and without attempting to enumerate all the services that Federal reserve banks perform, I am only going to mention the important changes that have developed:

"1. The Federal Reserve Note has been put into circulation. This is an elastic form of currency which expands when business demands more currency and automatically contracts and goes out of circulation when it has served its purpose. In 1926 the reserve banks paid out \$12,500,000,000 in currency.

"2. A rediscount practice has developed, enabling banks to meet seasonal requirements for credit or currency and also bridge over such emergencies as existed in 1919 and 1920. The peak was reached in the latter part of 1920 when the system made advances aggregating \$2,800,000,000.

“3. A credit instrument, new to the United States, the bankers’ acceptance, has been developed and the total in existence at this time amounts to approximately \$1,000,000,000.

“4. The gold settlement fund has been created within the system which provides for transferring funds from one part of the country to another. Such transfers average \$400,000,000 daily.

“5. The Reserve System has provided a method of collecting checks and drafts which has largely eliminated the round about methods which were resorted to before the inauguration of the System. The volume of checks handled by the System during 1926 amounted to \$275,000,000,000.

“6. An open market policy has been developed by the System wherein it is possible, at least temporarily, to adjust any unusual credit situations that develop by either buying from or selling to the market.

“7. The Reserve System, through its monthly bulletin, has furnished the public with information in reference to its policies and operations, a practice that is not followed in such detail by any other bank of issue in the world.

“8. Under the leadership of the Reserve System, an American banking policy has become possible.

“The majority of your readers do not di-

rectly come in contact with these operations because the reserve banks seldom deal with the public. The operations of reserve banks are confined almost entirely to banks and bankers. The business interests of the country, therefore, have to look to the indirect rather than the direct benefits and I am sure that if each reader will take just a few moments to reflect on these changes and compare them with the practices that were in existence before the establishment of the Federal Reserve System, he will be able to determine the real value of such a system to him individually and also to the people of the United States as a whole."

To summarize some of the main characteristics of the Federal Reserve system:

First, it consists of a Federal Reserve Board, 12 reserve banks, and 24 branches and 2 agencies with a total staff of 10,000 persons. The Reserve Board is a central supervisory body which co-ordinates the activity of the system. Member banks own all the capital stock of the 12 reserve banks which are in a sense private institutions supervised closely by the government through a minority of directors and by special examiners. Member banks keep their legal reserves in the Reserve banks and benefit from many services which the Reserve banks provide. The law is designed to remove the profit-making incentive from Federal reserve

banks as their dividends are limited to six per cent and all sums above that and expenses and a reasonable surplus must be turned over to the Treasury of the United States.

Before the Federal Reserve system was established reserves were scattered or else they became concentrated where they could not be immediately used. The present system provides for the almost instant use of reserve money everywhere. The new plan also permits credit expansion to be developed to meet the needs of the country as they arise.

The Federal Reserve system has supplied a new type of paper money which now embraces between one-third and one-half the total bills in circulation. Member banks draw currency from the Reserve banks in much the same way that any customer draws money from a bank. They give good commercial paper and bank obligations as security. When the need for currency is large, member banks usually have to borrow from the Reserve banks to maintain their reserves. The desire of banks to repay this borrowing is one of the forces that bring currency back to the Reserve banks promptly when the need is passed. In 1926 the Reserve banks handled 13 billion dollars of currency and coin. In fact, the total amount of money in circulation passes through the reserve banks about once in every five months.

The most spectacular thing the Federal Reserve system has done—or rather the thing immediately understood by the layman—is the elimination of most all of the old-time exchange charges which we used to pay on out-of-town checks. The check on the country banks has nowadays become as acceptable as that of a city bank in payment of purchases. Ninety-eight per cent of the checks drawn to-day now are payable at par through the Federal Reserve system.

The time of routing and collection of checks for the banks of the country has been materially reduced through the use of the telegraph. A leased wire system connects all the 12 reserve banks. For purposes of transfer of funds they might just as well be in one building, but the advantages of regional location are retained because each bank is familiar with the member banks of its region and the type of commercial paper presented by the businesses of their districts.

Under the Federal reserve system shipments of gold back and forth to settle balances has been almost wholly eliminated. Settlements between the 12 banks are accomplished by wire. Thus a gold settlement fund is kept in Washington with the Federal Reserve Board. This fund is owned by the 12 reserve banks. Settlements between the banks are made by telegraph

and bookkeeping entries are made in Washington which change the proportion of the gold fund which the different banks own. In this way the funds represented by checks flow readily from one part of the country to the other and yet relatively little gold moves from place to place.

The importance of all this to business cannot be overestimated. One of the ways in which the Federal Reserve system has been of use to industry is illustrated by the problem that confronted General Motors about six years ago. Operating in more than 160 cities, collections were being made constantly from dealers as soon as autos were delivered. In the ordinary course, millions of dollars would have been in transit in the mail in the form of checks and drafts. The interest on that money would not have been available to the General Motors Corporation. Some plan to transfer that money quickly had to be devised. Mr. Alfred Swayne, vice-president of General Motors, went to the Federal Reserve Bank of New York for advice. The Reserve bank showed him how its facilities of wire transfer could be used by banks with which the corporation happened to have funds. The plan resulted in a saving of more than a million dollars a year in interest. But apart from this it gave the financial department of General Motors a quicker picture of the cash

position of the company each day than was possible before.

And what General Motors did was followed to some extent by Armour & Co. Indeed the Federal reserve facilities of transfer will tend to become more and more important to many other large business operations for the Federal Reserve system is only fourteen years old.

To quote the late Governor Strong of the Federal Reserve Bank of New York:

“Probably no business organization has ever been created which has had so rapid and substantial a growth as the Federal Reserve system nor has any yet been developed which has so promptly taken its place as a world influence. Its service to our own country and the world at large, not only in connection with the financing of the war but in facilitating the world’s recovery from its devastating effects will be promoted by a better understanding of its operations and of its purposes.”

XIII

REORGANIZING AGRICULTURE

People who live in the city usually think that anything which has to do with agriculture is almost as remote from them as Europe and its affairs. They are not as a rule conscious how directly what happens on the farm affects those who live in the city. Yet when a slump comes in the agricultural regions of the country, and when the farmers cannot buy as much as they did before, the whole business structure feels the pinch either directly or indirectly.

The Federal Government, after many years of discussion, has now undertaken to organize agriculture as a business and that is the fundamental purpose of the new Federal Farm Board created by an act of the special session of the 71st Congress and which forms the new link between Government and agriculture.

This Board consists of eight appointed members and the Secretary of Agriculture. It is an entirely independent body, responsible directly to the President and its status is much like that of the Interstate Commerce Commission and similar independent Government establishments.

The Board is required to keep advised of

crop prices, prospects, supply, and demand, at home and abroad, and to give special attention to the existence or the probability of the existence of a surplus of any agricultural commodity, and to advise producers through their organizations or otherwise in the adjustment of production to demand. It is in connection with the getting of much of the information upon which to base such action that the Board is directed to use the existing research facilities of the Department of Agriculture.

Broad powers to deal with the various problems of agriculture are given the Board. It constitutes not only a powerful administrative agency for carrying out the specific provisions of the farm relief act but also affords guidance in matters of agricultural policy in general. This is shown by that section of the Act which requires the Board to make an annual report to Congress upon the administration of the act and on any matter relating to the better expression of the declared policy, including recommendations for legislation. When Congress enacted the farm bill it recognized the experimental nature of the measure and deemed it desirable that the Board should give particular attention to possibilities for improvements in the law.

The farm relief law provides for a revolving fund of \$500,000,000 to be administered by the

Board. Of this amount \$150,000,000 was appropriated the first year and from this fund the Board was authorized to make loans to agricultural co-operative associations and to organizations to be known as stabilization corporations.

Such loans were to be utilized by the associations and corporations to promote the orderly marketing of crops and to protect the farmer against the effects of undue depression in prices caused by a temporary excess of any commodity.

The stabilization corporations may be organized under the laws of any State when, in the opinion of the Board such an agency is necessary.

It is provided that each corporation shall have two main functions:

1. To act as a merchandising agent for the co-operative associations owning stock in the corporation; and
2. To handle recurring surpluses of the commodity whether produced by members or by non-members.

With respect to the first function, it is intended that the corporation should become a central agency for efficient merchandising of farm products, secure bargaining power for the producers through the handling of volume of the commodity, and insure returns according to the quality of the product.

Under the second function, that of surplus control, the corporation backed by ample funds, would be able to buy surplus farm products produced by non-members as well as by the members of the co-operative associations, thus relieving these associations of carrying alone the burden of surplus control. It is evident, therefore, that much more is contemplated than the mere lending of money to co-operative marketing associations. It has been demonstrated in the past that co-operative associations which have attempted to handle surplus farm products in sufficient volume to stabilize the market have been forced to bear the responsibility of controlling the surplus produced not only by their own members but also by non-members who have received the benefits in common with the members although the latter took all the risks and responsibility.

An idea of how the stabilization corporations are expected to function is expressed in the report submitted by the Senate Committee on Agriculture when the bill came before the Senate. Perhaps it would be well to quote from that outline. It reads:

“This Act makes sufficient funds available for purchasing and withholding from the market the surplus or as much of it as may be necessary, thus preventing the burden of surplus control from falling exclusively upon the co-

operative associations. At times of exceptional surplus the corporation should afford an opportunity for producers in general to dispose of their product at a better price, the co-operative association receiving in the form of patronage dividend a small part of such profits as the corporation might make, after setting aside a portion of the profits for a reserve fund. This distribution of profits is justifiable because it would compensate the co-operatives for assuming a substantial responsibility and because it would afford an inducement for non-members to join a co-operative association.

“While this mechanism for minimizing price fluctuations is experimental, it is believed that, with careful performance on the part of the corporations, much good will result to agriculture. It is recognized that in some years there probably would be losses, but, on the other hand, profits would be made in other years. In general, the surplus-control function of the stabilization corporation would be exercised with least danger of loss in years when surplus control is most needed—that is, in years when the price of a commodity in the absence of a stabilization corporation would be depressed to a ruinously low level under the weight of an exceptional surplus.

“The stabilization corporation would be able to exercise a commanding restraint upon specu-

lation in farm commodities and set a standard of competition and thereby further minimize price fluctuation. Since the corporation would be controlled by, and operated in the interest of, the producers it would eliminate much of the abuse of speculation."

In order to give the producers of agricultural commodities a channel through which to express their views officially the federal farm law provides that before the Board shall permit of stabilization corporation operations with respect to any agricultural commodity, it shall form a commodity advisory council for that commodity. The seven members of each council are to be selected by the board from persons nominated by the co-operative associations for the commodity. Members of the councils are not to be Government officials and will receive no salary but will be furnished with per diem compensation when attending to the business of the councils.

The Board was not intended under its present organization to buy or sell any commodity. Its function as visualized by its members, has been to assist the co-operative associations and the stabilizing corporations to assist themselves in a constructive way. Much of this effort is the lending of Government funds to aid in the operations of these agricultural organizations, but if and when Government participation is

superfluous all that is necessary is for these organizations to liquidate their indebtedness to the Government—a striking instance of government pioneering.

Entirely separate from the Farm Board is the Federal Farm Loan System, which also was created to assist and facilitate the conduct of the great business of agriculture. This system, which plays an important part in the government's relation to the agricultural problem, is under the supervision of the Federal Farm Loan Board. It grew very rapidly and, after ten years of existence, some of the banks composing it found themselves confronted with many difficult problems. To meet the situation, the President reorganized the Farm Loan Board on May 10, 1927, under the leadership of Eugene Meyer, who was appointed Farm Loan Commissioner. The purpose of this step was to strengthen the Board so that it would be in a position adequately to supervise the system along sound and constructive lines and enable the banks to perform in full measure the service to agriculture for which they were created.

The problem of rural credits was agitated actively in Congress from 1900 to the time the Wilson administration came into power. The problem had been investigated and surveyed, and a commission had been sent to Europe to study the question. These efforts finally re-

sulted in the enactment of the Federal Farm Loan Act in 1916. This law provided for the creation of 12 Federal Land Banks—a great co-operative system of rural credits—and Joint Stock Land Banks, of which there are now 49 in active operation. These banks make loans to farmers on the security of first mortgages on farm lands, the loans being limited to 50 per cent of the appraised value of the land plus 20 per cent of the appraised value of the permanent, insured improvements. They may be made for periods ranging from five to forty years and are amortized gradually over the life of the loans. For the most part, the banks obtain their funds for lending purposes by the sale of tax-exempt farm loan bonds to the public. The government does not guarantee and is not liable for these bonds.

The Federal Land Banks make loans through national farm loan associations, which are corporations composed of borrowing farmers and chartered by the Federal Farm Loan Board. The borrower subscribes to the capital stock of the national farm loan association, and the national farm loan association, in turn, subscribes to the capital stock of the Federal Land Bank. Each Federal Land Bank is primarily liable for the farm loan bonds issued by it and, in addition, is liable under the conditions stated in the Act for farm loan bonds issued by other Federal Land Banks in the event of default.

Joint Stock Land Banks make loans directly to farmers and their capital stock is owned by private investors. There is no joint liability among the Joint Stock Land Banks, each bank being liable only for its own bonds.

From organization to December 31, 1928, the Federal Land Banks and Joint Stock Land Banks made more than 600,000 loans in the aggregate sum of \$2,375,000,000. On that date they had outstanding more than 500,000 loans, amounting to \$1,800,000,000. These figures do not reflect adequately the service which these banks have performed for agriculture. None of the 600,000 and more loans were made at an interest rate exceeding six per cent while a large percentage of the loans was made at five and five-and-a-half per cent, especially by the Federal Land Banks. The availability of these low-rate funds has resulted in a general lowering of interest rates on farm mortgages by other loaning agencies. For that reason the benefit has extended to nearly all farmers owning their own farms who have needed mortgage credit.

After the War, a study of the farmer's requirements revealed that his credit needs were not fully met by existing agencies. His short-time needs were supplied through the Federal Reserve and State banking systems, and his long-time requirements through the Farm Loan System. To produce his crops and market them

in an orderly manner, or to raise and mature live stock for market, the producer required more time than the ninety days to six months provided by commercial banks, although not so much time as that provided by the Farm Loan System. To take care of this intermediate class of maturities, Congress, by the Agricultural Credits Act of 1923, created the 12 Federal Intermediate Credit Banks. These banks, also, are under the supervision of the Federal Farm Loan Board.

All their capital stock is owned by the United States government. The capital of each bank is \$5,000,000, or a total of \$60,000,000, of which \$27,000,000 had been called up to December 31, 1928. This means that \$33,000,000 may still be furnished by the Treasury as capital. Now on a basis of \$60,000,000 of capital, the law would permit these intermediate credit banks to borrow from investors to lend for agricultural purposes a total of \$600,000,000 or 10 times the capital stock of \$60,000,000. These banks borrow through the sale of short-term debentures which, like the farm loan bonds, are fully tax-exempt. The government does not assume any liability, direct or indirect, for these securities. The banks of the system, however, are jointly liable for their payment under the conditions stated in the Act creating them.

These intermediate credit banks cannot lend

directly to individuals, but they can lend money to co-operative associations of producers and rediscount agricultural paper for banks, agricultural credit corporations, live stock loan companies, and other financing institutions, with their indorsement. Thus, a bank or credit corporation which has made a loan to a farmer for an agricultural purpose can present the note, with its indorsement, to the Federal intermediate credit bank for rediscount so that its own funds are not tied up. The bank or credit corporation must meet the requirements of the intermediate credit bank and the paper must be satisfactory to it. The knowledge that there is a potential lending capacity of \$600,000,000 in the intermediate credit banks naturally creates a favorable psychological effect and has had a helpful influence on the rural credit situation. From organization in 1923 to December 31, 1928, these banks have lent a total of \$497,814,000, not including renewals. The amount outstanding on that date was \$81,277,000.

XIV

ELIMINATION OF WASTE

There are some activities of the Federal government which are so recent that they have not yet become widely known or fully understood. One of these concerns the elimination of waste in industry through simplification and standardization. Great advancements in living standards are usually brought about by new and basic invention but an even larger field of opportunity has been found in eliminating economic waste.

Usually we think of waste as something unused, a surplus perhaps or a quantity of material left unsold which perishes. Waste is something more than that—labor that is unemployed is wasted. Transportation that is interrupted or consumes too much time means waste. Seasonal operations frequently involve waste.

The Federal government has tackled the problem of waste through the Division of Simplified Practice of the Bureau of Standards, Department of Commerce.

As an example of labor waste we have gone for years in America with a moving day on May 1st and another on October 1st. In some cities the dates may have varied but the custom

of two moving days a year persisted and nobody was particularly concerned about the matter. Nor would there have been any agitation for change had it not been that in investigating the difficulties of the building trades industry it was discovered that many owners of new buildings have struggled to get their structures ready for the same moving day. This has meant congestion for the building trades and consequent periods of idleness. The Department of Commerce developed the fact that by organizing building exchanges in various cities some planning could be done so that all the buildings would not be begun at once. Instead of having leases expire on the same day efforts were made to "stagger" the dates so that different leases would expire on the first of every month throughout the year.

Incidentally this tends to give the moving van industry a breathing spell and enables that business to do its job more expeditiously and hence with less waste to those who are being moved. Entirely apart, however, from the elimination of wasted time between seasons in the moving industry, the biggest and most important result accomplished in many cities has been in the steadying of the labor supply. In some instances the building exchanges have planned building operations so systematically that the iron workers will finish on one building just in

time to be ready for another structure which has been started late enough to conform to the movement of labor. This kind of planning means that there is less time lost than formerly in getting the roofs erected so that in winter weather much of the finishing can be done. It is estimated that fully a billion dollars more building was done and the building season lengthened in 1928 with no increase in either the level of prices of building materials or cost of labor. This is to be contrasted with the upward rise of material and labor costs when there is congestion and great demand for immediate construction. The desire for haste still exists but there are some buildings which can wait and the building exchanges have been able to prove that co-operation means lower costs in the long run.

The Department has prepared a primer of questions and answers on the subject of simplification which is intended to explain the subject. Here are some of the typical questions and answers:

“Does simplified practice have anything to do with matters of fashion, styles or individual artistic creation?”

“No. It has nothing to do with questions of individual taste or artistic preference. It in no way restricts improvements in method or the progress of invention. It does not attempt to

suppress or submerge individuality. Its object is not the creation of a rigid régime of so-called standardization where there is no regard for beauty or art. Neither does it limit the opportunity of the individual to procure those things which satisfy cultural desires."

"Of what value to industry are surveys of variety?"

"Surveys afford accurate indexes of consumer demand, and are a reliable basis upon which to build up mass production. Experience has shown that scores of industries are totally unaware of the extent of variety in their own products. Oftentimes it is shown prior to adoption of Simplified Practice that 80 per cent of the business is done in 20 per cent of the varieties offered."

"How does co-operation in simplified practice help the executive of a small business enterprise?"

"The Division's services to the executive of a small concern are many-sided. Chiefly, they offer him facilities set up by the government which correspond to those maintained by larger institutions to increase efficiency, decrease costs, stabilize operation, and broaden markets, and put him on a more equitable footing with the larger concerns. If there is no trade organization for his industry, the Division, acting as a centralizing agency, collects fundamental in-

formation which would not otherwise be available."

"Why should not the individual manufacturer undertake simplification?"

"As a matter of fact, many an individual manufacturer does undertake simplification. Some manufacturers have applied the principle for years in their individual business. However, there are many reductions in excess variety which can be successful only when all elements of an industry can unite their efforts."

"What assurance is there as to the legality of simplified practice procedure?"

"All branches of the government have been cognizant of the aims, purposes, and scope of simplified practice since its inception; and as yet no objection has been raised to the course followed or the action taken in any of the programmes now in effect, nor to any of those now under way. In two specific cases, consent decrees were issued by United States district courts containing very definite statements on this point."

Commenting on this marked increase in understanding and appreciation of the principles of simplified practice, Ray M. Hudson, the Assistant Director of the Bureau of Standards in charge of the Commercial Standards Group said "voluntary co-operation in self-government" by industry is a practical and an essential

part of progressive management. The fact that industry can, and does, get together and plan for greater economies in both manufacturing and selling is borne out by the progress report of the Division of Simplified Practice for the Fourth Quarter of 1928.

"Twenty-four simplified practice recommendations," says the report, "were audited during the calendar year 1928, to ascertain the average degree of support that each received. This audit showed that the manufacture of commodities covered by these 24 simplified programmes, was 87.03 per cent in conformity with the effected programme. In 1925 the average degree of adherence, based on two programmes audited, was 67.55 per cent; in 1926 it was 75.51 per cent based on 11 audits; and in 1927 it was 83.22 per cent, based on 20 audits."

This statement of Mr. Hudson's is all the more significant since the Division of Simplified Practice is the only organization engaged in waste elimination, through simplification and standardization, which makes an annual factual review of the extent of usage of its recommended practices and standards. It must be remembered that simplified practice is based entirely on the voluntary co-operation of the manufacturers, distributors and consumers and its value is illustrated by the fact that industry had effected under the auspices of the Division of

Simplified Practice more than 100 simplifications as of January 1, 1929.

Simplified Practice is a common-sense method of eliminating "too much" variety in manufacture, by the establishment of a "simplified" list of sizes, dimensions, styles, and types, which consists of those varieties in major demand. A list of the promulgated simplified practice recommendations is issued monthly by the Division of Simplified Practice and may be had, without cost, upon request.

In addition to the simplified programmes developed by industry, under the auspices of the Department of Commerce, simplification has been applied by individual concerns without governmental co-operation and by trade associations.

One of the most conclusive of the simplifications accomplished by industry is that of lamp bases. Not many years ago 179 varieties of lamp bases were in process of manufacture, which necessitated the memorizing of a lengthy specification before procuring a lamp which would fit the special socket installed in the home. To-day the 70 manufacturers are producing only the 6 standard bases. In the same industry as late as 1918 there were 37 different known varieties of attachment plugs in use, each one good in itself, but no one interchangeable with any other. In the interest of public con-

venience and to the development of the use of electrical appliances, the adoption of the standard plug with parallel blades resulted. The advantages of this simplification are so apparent and appealing that to-day this plug is furnished with hundreds of thousands of appliances made by 200 manufacturers.

A large food products manufacturer found that through a decrease in the varieties of products of 89 per cent, with a corresponding reduction in the cost of sales force, of 73 per cent, and of overhead 80 per cent, his sales volume was increased approximately 600 per cent.

Simplification is not exclusively a manufacturers' problem. The distributors and users are equally concerned. Simplification from the angle of a consumer is best expressed by the president of a large New York hotel: "In simplification, remember you are both buyer and seller. If you cannot apply it in the things you sell, apply it in the things you buy. Do not buy 15 varieties of bolts if you can, by study, make one kind of bolt satisfy the 15 users." Applying this philosophy to the purchases for his chain of hotels, 200 items have been simplified, \$350,000 has been released from inventory, and a 20 per cent reduction in cost of this simplified line has resulted in an annual saving of \$100,000.

Commodities which are affected by style, art, design, or true expression of individuality are

not generally susceptible of simplification. Nevertheless, a manufacturer of men's felt hats analyzed his sales and found that 90 per cent of the business on the 3,684 styles and colors he was then making was done in 7 styles and 10 colors. The only solution of the problem was a simplified line, and he now not only advocates its application but has been convinced that it really pays.

Again the question of style was not a deterrent to a large producer of shoes who at one time manufactured three grades and 2,500 styles of each. He simplified his line to one grade and 100 styles. This 99 per cent elimination of variety reduced production cost 31 per cent, overhead 28 per cent, inventories 26 per cent, and cost to consumer 27 per cent. Correspondingly, his turnover was increased 50 per cent, sales of women's shoes 22 per cent, and of men's shoes 80 per cent.

Something of the history of simplification may be pertinent here. Simplification is not an innovation of the World War. Long before the eventful year 1917, its principles were recognized as a matter of sound practice and efficiency.

It is true the war demonstrated that there are in this country tremendous numbers of purposeless motions in practically all large industries. This fact being established, it became one of the

major functions of the conservation division of the War Industries Board to concentrate its efforts for the release of the largest possible amounts of labor, capital, materials, and equipment for war purposes under the motto "Maximum production at minimum expenditure, eliminating all unnecessary motions." Simplification, in its broadest sense, played a most important part in this war-time programme.

As a compulsory measure, simplification was applied with vigor. In buying, manufacturing, and selling, its principles were put into practice, with enormous savings of material, labor, and capital. Not only did it benefit the manufacturer, but the distributor and consumer as well. Although purely a war measure, many businesses desired to apply simplification after the armistice under normal peace-time conditions, to test its value as a management policy. Free from war pressure a number of enterprises have retained reduced lines, utilized fewer processes, and continued to employ less elaborate methods in both production and distribution.

Late in 1921 was published the report of "Waste in Industry," an essay on waste in six typical industries—the building trades, men's ready-made clothing, boots and shoes, printing, metal trades, and textile manufacturing. This report brought out the fact that in these six in-

dustries alone there existed a preventable waste from 29 to 64 per cent, and that \$10,000,000,000 could be saved annually through standardization and simplification alone.

Based upon 1922 values the expenditure of this vast sum in proper channels would cover payment of all Federal, state, and municipal taxes; the purchase of all passenger automobiles, gasoline to run them, and all the homes built in the United States.

Our war experience, followed by this report, proved conclusively the urgent necessity of utilizing standardization in the elimination of freak varieties, and the concentration of the processes of manufacturing and distribution upon the articles of greatest interchangeability. Accordingly Herbert Hoover, then Secretary of Commerce, established the Division of Simplified Practice as one of the units in a general programme of the Department of Commerce to eliminate industrial and commercial wastes as a fundamental means of better business, of increasing values and decreasing costs, of stabilizing employment, developing our foreign commerce, increasing the quantity of our products, and, in general, securing for every American citizen a higher standard of living.

The Division's activities are purely co-operative in character. It orders nothing, it dictates nothing; the initiative must come from business

itself. It has no regulatory, no police powers. Its chief function is to serve as a centralizing agency to bring producers, distributors, and users of specific commodities together, and to support the recommendations of those interested when they shall mutually agree upon simplifications of benefit to the industries and the public concerned. It has been recognized as a proper function of the Federal government to encourage co-operation and provide for fundamental investigation as to what may or may not be done in this direction.

Primarily, of course, government co-operation in proposed simplifications of various industries is directed to the improvement of the commercial and industrial practices only, but it is obvious that in most instances at least these standards which are best for the business of a democracy are also best for the government which represents it. The government is, therefore, particularly active in this field, and is constantly working on definite simplification programmes with a view to functioning on a better business basis. It is generally admitted that the government pays a higher price for what it buys than any other consumer, but it has been "sold" on the simplification idea and is now adopting it extensively and urging it upon all government departments and agencies as a means of reducing costs and overcoming

the prejudice that exists against the government as a customer.

Simplification and standardization may be abstract terms but they can be reduced to concrete gains.

XV

TRANSPORTATION—THE "I. C. C."

So much emphasis is given from time to time to the executive and legislative branches of the government that it is not surprising to find an unfamiliarity on the part of the public with the so-called independent establishments of the government.

Of these the Interstate Commerce Commission and the Federal Trade Commission are typical. Together they have nowadays a far-reaching influence on the course of American business as well as the economic life of the country.

The Interstate Commerce Commission has been called the most over-worked institution in the entire government, being burdened with so many important and vital responsibilities that the wonder is it can keep track of its many tasks as well as it does.

For the Interstate Commerce Commission supervises the railroads of the United States—the largest transportation system in the world. The Constitution gives Congress the right to regulate interstate commerce and, so far as this concerns railway transportation, Congress delegated to the Interstate Commerce Commission the task of regulation.

Many billions of dollars are invested in the railroad properties of this country. The rates the railroads may charge for freight are subject to the approval of the Interstate Commerce Commission, which is also directed by law to prescribe a rate of "fair return," that is, the per cent on their valuation, which the rates are intended to produce. The sums they may borrow and the conditions under which they may sell securities to the public are prescribed or approved by the Interstate Commerce Commission.

In a sense this is the most important regulatory function exercised in Washington, yet with the possible exception of the people in the railroad industry and the shippers, the extent of the regulation which has developed in the last forty years is little known.

The Commission, for instance, may establish through rail and water routes and prescribe the rates that may be charged for freight and passengers. In emergencies, the Commission may order the pooling of facilities and equipment and make such arrangements as may seem desirable to relieve congestion in traffic. Its principal work, of course, is prescribing just and reasonable rates between cities and sections of the country. But allied with these activities are functions related to the maintenance of safety standards, such as locomotive inspection, and

the investigation of the true values of properties and the financial operations of what are known as common carriers.

The law of 1920 for instance prohibits the issue of securities or the assumption of any obligation or liabilities unless authorized by the Interstate Commerce Commission, which may grant or deny an application in whole or in part with or without modification of terms as the Commission may deem appropriate. The Commission is directed to give its approval if the issue or obligation is for some lawful object within its corporate purposes and compatible with the public interest which is necessary or appropriate for or consistent with the proper performance by the carrier of service to the public as a common carrier and which will not impair its ability to perform that service. The act does not apply to the issue of what are known as short-term notes maturing not more than two years after date of issue and aggregating not more than five per cent of the value of the securities outstanding.

So it will be seen that the Commission has to have a comprehensive statistical system to check carefully the figures and data furnished by the railroads. Under the law the Commission can compel the submission of all data necessary to reach decisions on matters intrusted to it.

The Commission investigates accidents and

safety appliances, regulates the transportation of explosives and other dangerous commodities, enforces the law relating to the inspection of locomotives, and automatic control devices and the hours-of-service act.

A good many cases go to the courts each year involving violations of the safety laws such as allowing train or enginemen or train despatchers to remain too long on duty and the failure to maintain certain appliances necessary to avoid accident.

The Interstate Commerce Commission is, therefore, an administrative and a judicial body, and also a financial supervisor of the immense capital structure of American railroads.

As if this were not enough besides the usual volumes of testimony that have to be taken to decide the thousands of disputes over freight rates, the Commission has been charged by Congress with the duty of making an ideal plan for the consolidation of the railroads of continental United States into a limited number of systems. The law provides that "competition shall be preserved as fully as possible and wherever practicable the existing routes and channels of trade and commerce shall be maintained." The systems are to be so arranged "that the cost of transportation as between competitive systems and as related to the values of the properties through which the service is rendered shall be

the same, so far as practicable, so that these systems can employ uniform rates in the movement of competitive traffic and under efficient management can earn substantially the same rate of return upon the value of their respective railway properties."

Consolidation of railroads will be treated in a subsequent chapter.

On the whole the Commission has dozens of by-product activities such as supervision of certain sections of the law relating to railway mail service pay and parcel post and certain other statutes relating to the rights of railroad companies to buy supplies from companies in which they may have interlocking directorates. The Interstate Commerce Commission's work is reflected in many printed volumes annually but its day by day proceedings vitally affect the life of America for there is nothing of greater importance than transportation in all the activities of the Federal government. Whether Congress is in session or not, whether the Executive or his Cabinet are here, the Interstate Commerce Commission functions steadily in season and out of season. Its eleven members, appointed for terms of seven years each, constitute the most powerful board of directors of industry in the world. The Commission is the agent of Congress which in turn acting for the people has stipulated by law how the public interest shall

be protected not only against the issuance of inflated securities but against improper management and unsafe and inefficient transportation. Yet despite the existence of this regulatory power it is conceded by our officials that the American transportation system owned and managed by private parties is the most efficient in the world. It is a combination of private ownership and government supervision.

XVI

COMBINING RAILROAD SYSTEMS

Hardly any policy of the national government to-day is of greater importance to the commercial life of the American people than that which relates to transportation. On the cost of transporting goods from one part of the country to the other depends to some extent the final price to the consumer. Early in our history came the railroads and steamships as the principal vehicles of commerce but now we have also the motor truck, motor bus and airplane. In the last few years the motor truck and bus lines have made more rapid progress than the railroads did in a correspondingly early period of their development. To what extent these forms of transportation will compete with each other remains to be determined, but the policy of the national government in considering itself supreme in the regulation of inland and coastal traffic as well as commerce in the air has been fixed. It is derived from the so-called commerce clause of the Constitution itself, which gives Congress the right to legislate on interstate and foreign commerce.

In the railroads of the United States are in-

vested upward of twenty-three billions of dollars and it is proposed by bills pending in Congress that mergers and consolidations of various railroads be permitted so that there may be a few large systems instead of an assortment of strong and weak roads, some with long lines and others with short hauls.

What is done on railway consolidations is vital because once the step is taken it may strongly influence the destinies of the United States with respect to transportation for generations to come.

We shall deal with the term railway consolidation and some of the principal arguments for and against it.

Ever since the days of President Lincoln when we had about 30,00 miles of railroads there has been a process of gradual consolidation. The present Pennsylvania system, for instance, is the outgrowth or rather the result of the consolidation of 600 distinct lines. In fact, the Pennsylvania is composed of some 70 distinct entities now, which carry one-tenth of the traffic of the United States and own one-tenth of the rolling stock and locomotives in the country. Some of the western systems exceed the Pennsylvania in number of miles but not in the amount of traffic. Another big system which has grown up in the East is the New York Central and it has had a similar history. Between Albany and

Buffalo, for example, there were once 10 railroads and now there is one. The Baltimore & Ohio is another of the major systems and the Van Sweringens are endeavoring to work out another system in the East. Also the Great Northern and Northern Pacific are seeking permission to merge in the Northwest and there are several other plans pending. Now these systems have developed in various ways. They rarely have acquired their properties direct from the original owners and most of the parent roads have obtained either nine hundred and ninety-nine year or other long-term leases, or have bought the controlling ownership of the stock of smaller roads. Yet the Transportation Act of 1920 provided for only one form of actual consolidation, although it contains an interim provision for various forms of acquisition of control and ever since 1920 there has been discussion of new legislation that would provide a more workable plan. For the American genius which has been manifesting itself in mergers of all kinds has shown its tendency in the field of transportation, but has been restricted by the terms of the present law. To put several small roads together into one strong system it has been argued, would lead to economy of operation as well as better-balanced traffic.

As it is now some of the smaller roads, or those with unbalanced traffic, are finding it hard

to compete effectively with the major systems. The theory back of the consolidation idea is that some of the weaker roads will be joined with the stronger roads, making large systems that will be competitive with one another.

At present a road may devote itself largely to the transportation of coal. Another may be handling mostly iron ore and still another may carry a preponderance of agricultural traffic. When thrown into huge systems it is assumed there would be a greater diversification of traffic. Traffic in both directions would mean cutting down the empty car mileage which is often burdensome to a railroad. In other words, a large system would be comparable to a department store which is, after all, a combination of a hundred different stores selling products through all seasons of the year, depending on the public taste and demand—in fact there is something selling all the time. Just so is it the objective of a railroad system to keep something going all the time. Some railroads have imperfect distributing facilities in certain areas, especially in reaching key cities. They must pay therefore out of proportion to the actual haul in miles. An originating line, for example, may get a division of twenty-five per cent of the total freight rate though it hauls a shipment only a few miles. Now when all that is turned into one single organization, pooling equipment and rolling stock

and keeping the motive power moving, it means that greater efficiency can be obtained from the equipment and the whole system is operating more economically.

Many years ago the national government began to regulate, through the Interstate Commerce Commission, the rates that should be charged by the railroads for carrying freight as well as passengers. Where the strength of the railroads has differed it has been difficult to apply uniform rates without producing unequal results in the way of earnings. The Interstate Commerce Commission has had to temper its decisions on rates so as not to confiscate the weaker roads and yet not permit the stronger roads to make undue profits. One of the arguments in favor of railway consolidation is that when ninety per cent of the traffic of the country is handled by good strong roads it will be possible to apply a more uniform rate adjustment which in turn would tend to reduce the cost of transportation to the public.

But of even greater importance than the rate that is charged is the need of the shipper for an adequate supply of cars. The ability to get a car to ship farm products is essential because time is of the essence in reaching a market. To maintain a railroad it is necessary not only to be able to furnish service instantly but to do so as cheaply as possible. The railroads have not

had increases in rates and in passenger fares since 1914 in amount sufficient to correspond to the way their costs for coal, labor and materials have increased, but they have found many important ways of economizing. Thus, to-day, one locomotive carries a train a mile long and there has been a thirty-three and one-third per cent reduction in the consumption of coal. Economies in motive power have been accomplished which were never dreamed of years ago. Terminal facilities have been improved. The one thing that has enabled the railroads to go through their crisis in the last several years has been the excellence of their credit and borrowing power. The average to-day of fixed interest charges of the railroads is in the neighborhood of four and one-half per cent. As the loans mature, of course, the railroads have to borrow again and the strong roads are able to get credit at low rates and the weaker roads have difficulties in borrowing except at high rates. Some of the small roads that are not part of a large system have not had the benefit of the same economies. It is assumed that when they become part of a large system they will have the advantages of better purchasing organizations as well as better standards of operation—in other words they would become better servants of the public.

There is no programme as yet requiring com-

pulsory consolidation. Indeed it is doubted whether compulsory consolidation would be constitutional. There are many advocates of railway consolidation who say that once Congress passes a law permitting mergers that are considered practical by the larger systems, subject to approval by the Commission, self-preservation will compel other railroads to form competing systems.

The Fess-Parker bill, which has long been pending in the House and Senate, would permit mergers in several ways—acquisition by lease, by stock ownership, by transfer of properties from one carrier to the other, but all plans must come before the Interstate Commerce Commission for final approval, and the opportunity given for full public hearings. The price at which securities would be purchased would be set between the buyer and the seller and in the event of a disagreement the valuation would be determined by Federal courts with expert testimony from the Interstate Commerce Commission.

There is a division of opinion among railway executives about the merits of consolidation, but as between ultimate government ownership and operation and a well-balanced series of railroad systems, privately owned and operated, there is an acceptance of the latter alternative.

Some of the principal objections to railroad

consolidations are that strategic centres of distribution would be shifted and that the growth of some cities would be retarded. The answer to this usually given is that no railroad would wish to see any points on its main line injured, for it is to the interest of a railroad to have as many consuming and producing cities as possible on its lines.

There is an apprehension too that the building of big systems would eliminate much of the individual service and attention that has characterized the operations of the smaller railroads, especially in their intimate contact with the shippers. The suggestion is also advanced that too high hopes have been built that freight rates can be substantially reduced. Congress, however, declared in 1920 that railway consolidation was a national policy, but the opponents of the idea say that Congress could not have comprehended the enormousness of the task. Certainly the plan to deal with the railways of the United States involves physical properties larger than any in the world, embracing 400,000 miles of track, of which 250,000 are main lines with 67,000 units of motive power and two and one-half million units of rolling stock. The railroads do a business of six and one-half billions of dollars a year and employ 1,750,000 people. The securities of the railroads are owned by nearly 2,000,000 people. These are some of the reasons

why railway consolidation is perhaps one of the most important subjects with which the national government, under its regulatory power, is endeavoring to deal.

For in the new era of efficiency, adequate transportation as well as economical transportation is important not only to those who ship goods but to those who are called upon to invest their funds with the expectation of a fair return.

XVII

RAILROAD LABOR'S PEACE

Peace is so unspectacular that when in any industry there has not been a strike for a long time, little thought is given to the circumstances that have maintained that peace.

So it is that in the all-important field of rail transportation not a train, not a shop, not an office of a railroad has been tied up by labor troubles during the period the present Railway Labor Act has been in operation. How has this peace been achieved? Have labor and capital suddenly decided to stop quarrelling? In the past three years since the new law has been in effect governing the adjustment of disputes in the transportation industry, 385 cases involving adjustment of differences concerning rates of pay, rules or working conditions have been settled or submitted to arbitration. Two hundred and seventy-five of these have been settled by mediation and arbitration has been arranged for or is pending in 51 cases. Forty cases have been withdrawn and closed by action of the Board of Mediation and 19 cases have been retired.

During the same period 69 cases, involving grievances or growing out of the interpretation or application of agreements covering rates of pay, rules or working conditions, that had not been decided by the appropriate adjustment boards, were received by the Board and up to and including June 30, 1929—44 such cases had been disposed of.

Samuel E. Winslow, chairman of the Board of Mediation, has given this explanation:

“There has developed a habit of discussing problems on their merits, in a friendly way in the interest of fairness to all, with a commendable and increasing tendency to eliminate bitterness of view and expression and minimizing of the hostile manifestations so frequent in the past. We have substituted the idea of ‘problems’ and ‘discussions’ for the old expressions of ‘fight’ and ‘disputes.’

“With this spirit of agreement to act in good faith promptly and voluntarily in the railroad field, the Board has been associated with wage and other settlements affecting most of the men on the trains the country over. Despite 20 or more serious issues that have been raised in behalf of groups of railway workers and proposals for new wage scales for almost every district in railroad territory there has not been an interruption to essential transportation service since the creation of the Board. There has been a

general recognition of the moral and human as well as economic obligation of the railways and the employees to the Nation."

The Board of Mediation is an independent agency in the executive branch of the government. It has five members appointed by the President of the United States by and with the advice and consent of the United States Senate. No person pecuniarily interested in a railroad or railway employees' organization may serve.

The Board has no authority to control or govern the settlement of the problems with which it deals but it places its service at the disposal of the parties at issue to help them adjust their own differences in the interest of fairness to both sides and the public.

Either party to a controversy between a common carrier and an employee or group of employees may invoke the services of the Board by inviting it to use its influence in settling a problem that has arisen, and the Board, also, may proffer its services in cases of unadjusted matters that may be claimed to exist concerning pay, rules, or working conditions, or to interpret agreements previously made, and in arbitration cases to name one or two impartial arbitrators in cases where the arbitrators selected by the interested parties fail to agree on the umpire or third arbitrator, or the two neu-

tral arbitrators, if a board of six has been decided upon.

The Railway Labor Act, Public Law 257, 69th Congress, approved May 20, 1926, is almost unique in the history of Congress in that it was passed with substantially little change after being proposed by both railway executives and labor leaders in the transportation industry. These joint proponents represented to committees of Congress, in hearings and otherwise, their unqualified indorsement of the provisions of the Watson-Parker bill and gave assurance of their intention of supporting it in spirit and in letter.

Salient features of this law are: (1) Definitions; (2) duties and procedure; (3) boards of adjustment; (4) the work of the Board of Mediation, including responsibility for interpreting the law and its other defined duties; (5) the Emergency Board, a Presidential body to function in case of threatened and likely serious interruption of public travel; (6) certain general provisions.

Any common carrier subject to the Interstate Commerce Act and any organization engaged in interstate commerce and subject to such act, including employees in express companies and sleeping car companies, as well as the trainmen, conductors, firemen and other railway employees, come within the purview of the new law,

although, of course, the act, like the Interstate Commerce Act, does not extend to railroads or other carriers engaged entirely in intrastate business.

The Act first makes it the duty of all carriers, their officers, agents and employees "to exert every reasonable effort to make and maintain agreements concerning rates of pay, rules and working conditions, and to settle all disputes, whether arising out of the application of such agreements or otherwise, in order to avoid any interruption to commerce or to the operation of any carrier growing out of any dispute between the carrier and the employees thereof." It is also provided that "all disputes between a carrier and its employees shall be considered and, if possible, decided, with all expedition, in conference between representatives designated and authorized so to confer, respectively, by the carriers and by the employees thereof interested in the dispute."

Conference boards, boards of adjustment, mediation proceedings and arbitration by agreement of the parties are among the instruments which the act provides, but the fundamental purposes of the law are to provide methods for settling questions arising between employees and the carriers as promptly and peaceably as possible without interference from the outside.

The Board of Mediation considers its pur-

pose to have been served if it enables the parties to come together to make their own agreement; indeed, the agreement reached is made legally binding without responsibility being attached to the board. In this way the Board of Mediation differs from the old Railroad Labor Board now abolished, which functioned as a quasi-judicial body, with power to make wage decisions, although none to enforce them.

The Board of Mediation is not empowered to establish any findings nor to compel anybody to do anything. Its duty is to be helpful in cases of discussion and, upon request of either or both interested parties, or upon its proffer of service, to make suggestions designed to bring about a voluntary agreement between the parties.

If the questions cannot be so settled in mediation, failing of agreement in conference or before an adjustment board, a board of arbitration of either three or six in number may be created by the interested parties at the request of the Board of Mediation. The procedure in this respect is that each party, if the arbitration board is prescribed as three in number, names one person and these two select the third, or if six in number each party names two and these four select the other two, and if in either case they fail to agree on the other arbitrators necessary to complete the arbitration board, the re-

maintaining impartial arbitrator or arbitrators are appointed by the Board of Mediation.

Furthermore, if a dispute between a carrier and its employees be not adjusted under the other provisions of the Act, and should, in the judgment of the Board of Mediation, "threaten substantially to interrupt interstate commerce" to a degree such as to deprive any section of the country of essential transportation service, Section 10 of the Act provides that the Board of Mediation shall notify the President, who may thereupon, in his discretion, create a board to investigate and report respecting such dispute. The board may be composed of such number of persons as to the President may seem to be desirable but in practice so far such boards have been made up of five members. The law does not prescribe any specific duties for such boards nor does it give them any power. It merely provides that "such boards shall be created separately in each instance and it shall investigate promptly the facts as to the dispute and make a report thereon to the President within thirty days from the date of its creation."

After the creation of the board and for thirty days after it has made its report to the President, "no change, except by agreement, shall be made by the parties to the controversy in the conditions out of which the dispute arose."

This is meant to prohibit a strike until the board has had an opportunity to investigate and report its findings and until thirty days have elapsed within which an adjustment may be made as the result of the findings or recommendations of the board after they have been made public.

On three occasions since the passage of the law have these provisions for the appointment of an emergency board been resorted to to prevent a threatened strike, twice under President Coolidge in 1928 and once shortly after President Hoover came into office.

On April 28, 1928, on being notified by the Board of Mediation that certain train employees of the Kansas City, Mexico & Orient Railway had voted to strike on the following day because of a wage dispute with the company which "now threatens substantially to interrupt interstate commerce," President Coolidge issued a proclamation creating a board, the names of whose members were announced on May 4. Hearings were held at Wichita, Kan., at which each side presented its testimony to the board and within the thirty days the board submitted a report which was promptly made public at the White House, containing a statement of findings and an expression of opinion that the strike was not justified, and making a series of recommendations for the adjustment of the dis-

pute which were substantially followed in a settlement reached between the management and the employees in June.

Again on September 29, 1928, a board was appointed as the result of an unadjusted dispute between the western railways and the Order of Railway Conductors and the Brotherhood of Railroad Trainmen. On October 30, after hearings at Chicago, Ill., the board submitted a report of findings and recommendations which also, but not until after some negotiations and a reference of the matter back to the general committees of the brotherhoods, were made the basis of a settlement.

On March 29, 1929, President Hoover appointed a similar board in the case of a dispute between the Texas & Pacific Railway and its employees, which after hearings at Dallas, Tex., recommended a compromise on which a settlement was speedily effected.

The underlying aim of the Board is to bring about trust where mistrust otherwise would make even discussion impossible. The Board offers co-operation by extending to railroads and their employees, operating in interstate commerce, wherever differences fail of adjustment between them in the normal way, the facilities of a governmental agency to effect a respectful, sympathetic attitude of one side to the other.

The first three years of peace under the new law have come and gone unnoticed. It has meant many hundreds of millions of dollars saved to the Nation as contrasted with the possible losses in time and money which might have resulted from delayed shipments and congested traffic if strikes had been allowed to take effect. Peace, indeed, has its victories as well as war.

XVIII

SHIPS

For many years the United States proceeded on its way without adequate merchant tonnage either for the protection of its commerce in times of peace or for the requirements of its military forces in times of war. It is probable that no great emergency arose during the fifty-year period when American shipping was in the doldrums to focus national attention on the fundamental national need of ships. Just prior, however, to the entrance of the United States into the World War, while the merchant tonnage of Europe ordinarily engaged in commerce to and from ports of the United States was diverted to other uses, it became immediately apparent that without ships to carry our products overseas tremendous losses to our farmers, our manufacturers and other business interests were just around the corner. Those who remember "Buy a bale of cotton" remember that this great American product was a glut on the market because there were no ships in which to send the export surplus abroad.

Without attempting to estimate what this may have cost our planters and what failure to

ship other commodities may have cost their producers, suffice it to point out that congressional action became imperative and in the year 1916 a shipping law was passed.

Under this Act the United States Shipping Board was created and except for provisions granting the Shipping Board regulatory powers over foreign and domestic shipping through American ports, the law was essentially a temporary measure. It provided for the construction of merchant vessels and their operation commercially as might be needed to provide uninterrupted transportation for American cargoes during that emergency period. And, while we were not at war when this Act was passed, there were those who believed we might be before very long and it was sought to be prepared, with legislation at least. The story of ship construction during the war is well known.

At the close of the war the government found itself in possession of merchant tonnage amounting to 2,543 vessels, aggregating 14,700,000 tons. It likewise found itself confronted with the problem of what to do with it. From the start the general impression has been that the conflict was between those who advocated a merchant marine owned and operated by the government and those who advocated a merchant marine owned and operated by private interests. But in passage of the original law de-

signed to handle the problem presented by this fleet, Congress definitely established a policy of ultimate private ownership and operation with the government lending its hand when aid was needed. The need of help, it might be said, is ever apparent by reason of lower standards of living and general building and operating costs in foreign maritime countries than those prevailing in the United States. No one has even suggested that the living standards of those employed in our shipping and allied industries be reduced in order to give the nation a merchant navy, and it has therefore become necessary for our government to take up the slack in the form of its indirect aids to private shipping.

The regulatory provisions of the 1916 Shipping Act were kept practically intact in the Merchant Marine Act of 1920. The main purpose in passing the Merchant Marine Act was to provide for permanent operation of American ships in overseas trades and for the transfer of the ships and other marine properties of the government to private American citizens. In this law, the membership of the Shipping Board was increased from five to seven; and it was directed that the different regions of the country be recognized in the selection of Board members. This regional representation is as follows: North Atlantic, South Atlantic, Gulf, Great

Lakes, Interior, North Pacific and South Pacific.

The Merchant Marine Act directed the Shipping Board to study foreign trade conditions of the United States and to establish steamship services over trade routes found to be essential to our commerce. It then directed that when these services were established and running well that the Board should sell them on conditions deemed necessary "to secure and maintain the services desired."

The Act then provided certain indirect aids deemed adequate to support our private shipping. It directed that wherever possible mail should be carried in American ships and authorized the Postmaster General, upon recommendation of the Shipping Board, to enter into contracts with American lines, giving them generous compensation for the carriage of mails. The Act also provided that when the Shipping Board should find that there is adequate American flag service from American ports it should notify the Interstate Commerce Commission, which would, in turn, grant reduced rail rates on goods transported to the coast for export in American vessels.

A further provision designed to aid private American shipping is the extension of the coast-wise laws to the Philippine Islands, thus excluding foreign flag-ships from the lucrative United

States-Philippine trade. This provision also applies to other insular and territorial possessions. The Act also created a construction loan fund of \$125,000,000, from which citizens of the United States are entitled to borrow money for the purpose of constructing ships in American shipyards. Money from this fund may be loaned at $5\frac{1}{4}$ per cent on ships to be constructed for the coastwise trade and at $4\frac{1}{4}$ per cent on those for the foreign trade.

Other provisions of the Merchant Marine Act calculated to assist American ships are: (1) exempting funds derived from the operation of American vessels in foreign trade, or from the sale of certain vessels, from income taxes when these funds are applied to new construction; (2) authorization to American cargo vessels to carry as many as 16 passengers and remain exempt from passenger inspection laws, except those relating to life-saving apparatus; and (3) a provision to stimulate the development of marine insurance companies in the United States by exempting them from the anti-trust laws.

If the aids provided for in the 1920 law had been made effective the result would undoubtedly have been complete transfer of government tonnage to private control long ago. But it was found impracticable to make effective the two most important aids, namely, those which pro-

vided exclusion of all foreign ships from the United States-Philippine trade and which granted reduced rail rates on goods consigned abroad in American bottoms. The Shipping Board was obliged therefore to continue the operation of ships until the time when new legislation would give private American citizens sufficient help to enable them to compete with their foreign rivals.

With the passage of time it became quite obvious that further transfer of the government tonnage to private capital would not be possible unless a more substantial method of extending aid to private ships were devised. In the meantime, moreover, existing vessels were fast becoming obsolete and the need of new vessels to compete with the new type vessels of foreign companies was becoming imperative.

Congress, therefore, approached the problem anew and in the spring of 1928, a new Merchant Marine Act, commonly called the Jones-White Law, was passed and signed by President Coolidge.

The main features of the law are: (1) the mail contract section which authorizes the Postmaster General to make contracts with owners of American ships for the carriage of mail to foreign ports, the contracts providing generous payments to the owners; and (2) the construction loan authorization under which the

government, through the Shipping Board, stands ready to loan money to responsible ship-owners on easy terms in order to hasten the modernization of our merchant marine.

The Postmaster General administers the mail contract section of the law after certification by the Shipping Board as to type and class of vessels required on routes, and the Shipping Board administers the construction loan section. Following is a brief explanation of these two features:

Authority is given by Congress to the Postmaster General to make more favorable contracts for the carriage of mail in ships of American registry than when carried by ships of foreign flag, upon certain conditions. The ships which obtain contracts of this character must be replaced, within the time specified in the contract, by new and up-to-date vessels which shall have the approval of the Navy as to type and design with a view to their possible need as auxiliaries in time of war. In a sense, there is a triangle of considerations when these favorable mail contracts are let: first, the Postmaster General must state the need of vessels for the carriage of United States mails over a specified route; second, the Shipping Board must certify that vessels of a certain type, speed, etc., are necessary, in conjunction with the Post Office needs, for the development and expansion of the

export trade of this country; and third, the Navy Department must pass upon the design and type as possible auxiliaries to the Navy in time of war. The new mail rates are designed to secure (1) the transport of United States mails in American ships; (2) the maintenance of uninterrupted service for American passengers and cargo on the principal trade routes of the world; (3) a type of vessels which, in addition to their peace-time functions, will be suitable for naval and military use in time of national emergency; and (4) the general building up and strengthening of American shipping, one of the country's most important industries.

The new law increased the sum of the construction loan fund provided in the 1920 Act from \$125,000,000 to \$250,000,000, and reduced the rate of interest payable on loans in aid of ships for overseas trade operation from $4\frac{1}{4}$ per cent to the lowest rate of yield on outstanding government obligations. The effect of this is to give the shipowners the benefit of the government's credit for shipbuilding purposes.

Loans may be made to private citizens of the United States upon their request, for the purpose of building new ships, or for the purpose of modernizing existing ships through installation of up-to-date machinery, or through general reconditioning, but where the Construction Loan Fund is utilized it is required that the

vessels built must remain under American registry for twenty years from the date the loan is made, or longer if any portion of principal or interest remains unpaid at the expiration of that period. The Board may loan as much as three-fourths of the cost of the construction or remodelling of the vessel, but the owner must first expend his one-fourth before the government makes any advance of money.

It is the hope of Congress, as well as of the administrators of this law, that there will be an increased interest among American shipowners in construction of modern tonnage to replace obsolescent ships, and that in this way the United States may again find among her national resources ships to carry the major portion of her commerce in time of peace and to be available as naval auxiliaries in time of war.

An outstanding result in the merchant marine development programme of the United States since the war closed is the fact that to-day there are some American lines in operation where yesterday there were none. Direct liner service has likewise been established from American ports to ports abroad where prior to the war no lines under any flag made direct sailings.

A number of the cargo services which the Shipping Board has established have been sold and are operated regularly by American steamship operators. The Shipping Board has several

established lines which it is still operating over regular routes through the Merchant Fleet Corporation.

All Americans are familiar of course with the passenger ships of the United States Lines, which were sold recently to private interests, but few Americans know that we have more than 200 large freight carrying ships, sailing on all seas, covering over a million miles a month. Few people realize perhaps the great part these regular lines have played in the development of foreign markets.

The fundamental purpose in maintaining a merchant marine is to promote American trade and keep an auxiliary line of defense for war emergencies. In the last five or six years more than 1,600 ships have been transferred to private hands and 800 of these now are in either the domestic or foreign trade of the United States. The Shipping Board has about 675 ships remaining. Of this number about 225 are in operation over regular routes deemed essential for the service of American trade.

But in developing trade routes mere numbers are not required but certain types of cargo carriers.

American industries and farmers found little difficulty in the transportation of their products in foreign ships, before the war, but during the past ten years economic conditions have

changed; time, distance, and space have been conquered, and the United States is no longer considered an isolated nation, holding itself economically independent from the rest of the world. Ships are therefore deemed essential to our foreign commerce in sufficient numbers to guarantee fair rates and prompt handling.

Our country is far ahead in the science of quantity production, and this has enabled us to produce machinery, automobiles, and farming implements at a cost sufficient after allowing for transportation to Europe to be sold there at a price lower than for foreign made products. The average American knows that the billions of dollars' worth of products shipped abroad represent a surplus over that required for home consumption, and that this means more employment and better wages. Of the three billion dollars received by American manufacturers for finished goods shipped to foreign countries, a large proportion, probably one-fourth, goes to the skilled laborer.

In order to find markets abroad and assure purchasers of reasonably prompt and safe deliveries, it is felt that a transportation system of our own is necessary; it is important that the ocean going ships which carry these products be under American control. If American flag ships were eliminated, a sufficient amount of foreign tonnage would appear to carry our prod-

ucts, but there would then enter the all important item of rates. The nations which would have control of the seas are heavily in debt, and fighting to maintain their economic existence. The advocates of a government owned marine insist that the United States should not permit other nations to secure control of merchant shipping with power to increase freight rates at will.

The work of the Shipping Board is carried on by seven bureaus each of which is under the supervision of a commissioner. Although the commission is composed of members of both political parties the differences of opinion on policy have not been along political lines but on opposite theories of the government's obligation to the public. The Shipping Board as a whole acts as a board of directors for the Fleet Corporation, the name of which has recently been changed from the United States Shipping Board Emergency Fleet Corporation to the United States Shipping Board Merchant Fleet Corporation. The board not only supervises government owned ships but privately owned vessels as well. It has a bureau of traffic, a bureau of operations, a bureau of construction, a bureau of law, a bureau of finance and a bureau of research. Each commissioner is an executive in charge of an important operation. The Board is appointed by the President but

responsible to Congress and is one of the groups known as independent executive establishments.

Congress has already said by law that the government ships should be sold when private capital can satisfy the requirements of an American Merchant Marine. Congress still remains the judge of how these requirements are being satisfied.

XIX

MOTOR HIGHWAYS

We are spending billions for government nowadays where we formerly spent millions, yet many people do not really appreciate what is being done by governmental institutions for them.

An apt illustration concerns everybody who owns or drives an automobile and everybody who directly or indirectly is dependent for income on the motor industry. America has developed the motor industry to unprecedented proportions. Employment is given to millions of people as well as pleasure to millions of others and convenience of transportation to even more millions. Could the motor car have been developed if there had been no roads?

The answer is that the Federal government by its annual aid to the states has stimulated a programme of road building such as no other country in the world has developed. In the year 1926-27 about a billion and a half dollars was spent by the states, the counties and the Federal government, or nearly a sixth of the entire budget of all governmental units. This is exceeded only by the budgets for education and national defense and police administration.

Good roads were needed to stimulate motor traffic. In the last twenty-three years more than 1,000,000 miles of highways have been built in this country.

By reason of the fact that the Federal government appropriates certain sums annually on condition that the states appropriate their proportion, there is in Washington a Bureau of Public Roads which in effect is the centre of the road building industry. For the Federal government must be satisfied as to the projects and the kind of roads to be built.

The Federal government came into the problem by seeking to have roads built over which the mails could be carried. This however has been merely a legal aid and not a primary reason for road building. Yet until the Federal government brought out its programme of aid to the states, road building had not been organized by all the states.

The approval or rejection of the plans submitted by states is the first step made by the Bureau in the procedure under which Federal aid is secured. As a condition precedent to the approval of any projects it has been required that certain conditions be fulfilled. The state must furnish information as to its laws affecting roads and the authority of the state and local officers in reference to the construction and maintenance of roads; as to the state highway

department, how equipped and organized; as to the existing provisions of its constitution or laws relative to state revenues for the construction, reconstruction, or maintenance of roads; as to funds that will be available to meet the state's share of the cost of the construction work to be performed and the general source of such funds; and as to provisions made, or to be made, for maintaining roads upon which Federal funds will be expended; together with any other information the Secretary of Agriculture, acting through the Bureau of Public Roads, may require.

The states are also ordered by the Federal Highway Act to furnish state maps showing the Federal aid highway system and indicating the primary or interstate highways and the secondary or intercounty roads. This system of roads is examined by representatives of the Bureau and, if acceptable, will be formally approved. Pending the formal approval of the system, roads can be built under the Federal aid plan when it is reasonably anticipated that they will form a part of the system.

To initiate a project the state submits a document known as the "project statement," in which it announces that it proposes to build a road of a certain type and length in a certain location and for that purpose requests Federal funds in an amount not exceeding 50 per cent of the ap-

proximate estimate of the cost of the road, except in those states where the unappropriated public lands amount to more than 5 per cent of the total area.

Highway construction has meant a great deal to the sparsely settled mountain and western states while the eastern states have concentrated on the improvement of existing roads and the development of systematically linked highways.

The War necessarily slowed up road building programmes but since then the mileage has been steadily increased so that some day it is hoped that traffic congestion will be relieved by alternative routes, thoughtfully planned, so that travel may be diverted at strategic points.

In this whole programme the Federal government is thus playing a dominant part, stimulating state activity, aiding in co-ordinating programmes and in investigating and testing materials.

The annual appropriation for the Federal aid road building programme is \$75,000,000; however, this amount is deemed inadequate by a great many people as it amounts to only seven or eight per cent of the total amount spent for road building purposes.

There are in this country more miles of road than in any other country in the world. The mileage of roads in the United States amounts to 46 per cent of all the roads in the world, and

the continent of North America has more than half of the total miles of road in the world.

There is now being considered the building of a road from the United States to Alaska, and a joint resolution has been approved appropriating \$50,000 for surveying of a route for a possible road through Central America. This road through Central America is advocated by the Pan American Union and if built will connect New York City with Buenos Aires. It will be 10,000 miles long.

Federal aid has made possible the building of roads through Indian reservations that were not possible before because these reservations were not taxable property. Roads through National Parks have received special attention and although obstacles in the form of mountain road building, and huge expenses are met with in this work more than 4,000 miles of such road have been completed. The forest highway system builds three kinds of roads: forest highways, forest developments, and forest trails—built for the protection of the forest, the use of the administrative workers of the forest, and the travels of tourists.

Justification of the tremendous output of money on roads may be seen in the improved industrial facilities brought about by good roads, the improved rural postal system, improved educational facilities made possible by

the consolidation of schools through the use of automobile busses to convey children to the consolidated school, and the better relations between citizens in different parts of the country brought about by closer communication on improved roads.

In order to make the building of highways more efficient and economical the Bureau of Public Roads maintains a research department that makes extensive investigations into new methods of road building and seeks to improve on all methods. This research work results in improved roads built more economically. The quality of soil used as road-bed is also tested in order to determine the best base for roads.

Representative Edward E. Browne of Wisconsin declares that our road system is a hundred years behind. He points out that a railroad keeps its road-bed in as good shape as its rolling stock. This is not the case in highway construction and he asks why if it is profitable for railroads to maintain their road-beds in as good condition as their rolling stock it would not be profitable for the government to adopt this practice.

A vast proportion of money spent for road building is expended by the individual states and all of the expense of maintenance is borne by the state. This condition of affairs is criticised by some congressmen, one representative going

so far as to declare that while over a century ago a statesman had declared the government would spend "millions for defense, but not one cent for tribute," the modern creed was "millions for construction, but not one cent for maintenance."

There are 2,000 miles of bridges constituting part of the various roads of the country.

Approximately 27,000 people are killed by automobiles each year, and almost a quarter of a million are injured. An attempt to lessen this death rate is being made by the government in its building of roads. They are being clearly marked and curves, blind railroad crossings and such hazards are being limited to as large an extent as possible.

All Federal roads are marked with the shield of the United States bearing the number of the highway. Different signs are used to designate railroad crossings, curves, and other dangerous places on the road. On roads running from the north to the south odd numbers are used to mark the route, and on highways running east and west even numbers are used. Highways running from the east to the west coast are numbered in multiples of 10 with one exception and that is numbered "2" to avoid the use of a zero.

Research has been conducted into the composition of highway material for a number of

years in an attempt to produce the most wear-resisting road possible. It has been found that while pneumatic and solid tires have some ill effect on pavement, the use of non-skid chains creates the greatest wear on roads.

Traffic surveys have been conducted to determine whether or not it was feasible to build a special kind of road in the vicinity of large cities because of the large number of trucks that travelled these roads and in this connection a roughness indicator has been devised.

The first bill for Federal roads was signed by Thomas Jefferson and provided for the building of a road to the headwaters of the Potomac river.

The constitutionality of Federal aid roads has been questioned but all courts that have been called upon to decide this question have held that Federal road building is constitutional.

As a part of the Federal project special studies have been made of the parking problems of the cities and experiments conducted in an attempt to meet the demands of the shopping districts of our cities.

XX

AIR TRANSPORT

It hardly seems twenty-five years since Wilbur and Orville Wright made their first flight at Kill Devil Hill in North Carolina. Many people may have forgotten what the Wright brothers did, in fact, it is one of the curious turns of fate that the men who invented the airplane never achieved even a fraction of the fame which has come to Colonel Lindbergh. Congress, however, has not forgotten. By recent law a suitable memorial has been ordered placed on that spot where the first flight occurred.

Orville Wright describing his first ascent wrote:

“My brother had made an unsuccessful attempt to fly on December 14 (1903). It was therefore my turn to try. I ran the motor a few minutes to heat it up, and then released the wire that held the machine to a wooden track. The machine started forward, Wilbur helping to balance it by running alongside. With the wind against it, the machine got under way so slowly that Wilbur was able to stay alongside until it lifted from the track after a run of 40 feet.

"One of the men from the life-saving station clicked a camera at that instant and caught a historic picture. The machine was at the time about two feet off the ground.

"The flight lasted 12 seconds. Its course was rather erratic, owing in part to air conditions, in part to the pilot's inexperience. The front rudder was balanced too near the centre, so that it had a tendency to turn by itself, with the result that at times the machine would rise to about 10 feet and then as suddenly aim toward the ground. One of these darts ended the flight 120 feet from the point where the machine had first risen from the wooden track.

"It may be interesting to note that while the machine was making only 10 feet a second against a wind that was blowing 35 feet a second, the speed of the machine relative to the air was 45 feet a second, so that the length of the flight was equivalent to 540 feet in still air. This was the first time in history that a machine carrying a man raised itself by its own power into the air in full flight, went ahead without reduction of speed, and landed at a point as high as that from which it started."

The Federal government has been the centre of such aviation activity as the United States has undertaken in the last twenty-five years largely because from the first it was recognized that unless the government took hold of the

problem from the viewpoint of national defense, the day when enough airplanes could be built for commercial use might be remote. Even to-day it would hardly be worth the while of airplane companies to spend their funds in research and improvement unless they could count on a certain quota of purchases each year from the Army and Navy or the right to transport the mail. In other words, the Federal government originally had to stimulate the airplane industry for its own protection. Similar policies have been followed in other countries, in fact, some of the advocates of larger effort in aviation have constantly pointed to the extensive appropriations made in European countries for aircraft. There are to-day several manufacturers of aircraft able to sustain themselves without government contracts.

It is not necessary to discuss the efficiency or inefficiency of government bureaus in handling aviation either during or since the War. There has been plenty of controversy and the upshot of it all has been a constantly growing interest in aviation and a wider recognition each year by Congress that a new arm of national defense and a new means of commercial transportation has arrived which can no longer be treated as an experiment of passing importance.

As new triumphs of airplanes and dirigibles mark the development of aviation it is pertinent

to point out the material help given it by our government.

We find "roads of the sky" marked off like our highways, criss-crossing the continent. There are more than 10,000 miles of lighted airways in operation, with some 2,000 miles additional under construction. About 275 intermediate landing fields now speckle the country, identified by some 1,406 airway beacons. There are 164 weather reporting stations, which broadcast to aviators everywhere the conditions of the elements, while everywhere communications stations are ready to handle radio messages from planes.

While all this, which involved much preparation and experiment, can be traced to the activities of the United States Government, the aeronautical industry really regulates itself, with the government's only participation the promulgation of rules designed to protect the flying public, and aimed to encourage, rather than retard, development.

The United States always has lent a helping hand to its struggling young industries. When the railroads came into being, it gave them railroad land grants over which to lay their track. Then, aviation made its appearance. It was too hazardous and too large an undertaking for the average man of industry. But the government saw its possibilities and the need for aid. It set

to work, first, its military agencies, in the development of the art. Now a score of governmental activities are guiding the destinies of the industry.

All of the government's aeronautical construction is done by the aviation industry. Whenever a new type of plane is developed, the contract goes to a commercial concern, with sufficient allowance for the working out of new ideas and plans to benefit the industry as a whole. Special technical bureaus and agencies, set up by Congressional authorization, are working constantly for the benefit of aeronautics. The military aviation services, in their daily pursuits, look first to the protection of the nation from the air, but their resources and their findings are available to private aviation research.

The air mail, which runs on "train-schedule," was established by the government as a practical example of air transportation. Then it was turned over to commercial contractors and constantly is being enlarged. It is estimated that for the first half of 1929 some 3,500,000 pounds of air mail were carried, whereas for the entire year of 1926 only some 800,000 pounds were handled.

The present activities of the government in aeronautics are centred in the Commerce, War, Navy, Postoffice, and Agriculture departments, as well as in several specially created indepen-

dent agencies. Practically every one of the executive departments has a relationship to aviation, but, other than for those mentioned, they are auxiliary.

The Department of Commerce has the most direct affiliation with the industry. The Aeronautics branch of the Department is now completing its third year of service. It was created under the Air Commerce Act, approved in May 1926. Under it this branch is charged with the responsibility of encouraging and regulating the use of aircraft in commerce. In general, this Act provides for the establishment and maintenance of civil airways and their equipment, including intermediate landing fields, which hook up with the some 2,000 municipal airports throughout the country, beacon lights, and other aids to navigation, excepting airports.

Other duties of the Aeronautics branch include the rating of air navigation facilities; establishment of air traffic rules; inspection and licensing of air craft; examination and licensing of airmen; collection and distribution of aeronautic information, and rating of ground schools.

These duties were divided up among other agencies of the Commerce Department. The task of establishing, maintaining and operating aids to navigation along air routes, was assigned to the Lighthouse Service, which since has estab-

lished an Airways Division. To the Coast and Geodetic Survey went the mapping of air routes for the aid of flyers. Scientific research for the improvement of air navigation aids is being conducted by the Bureau of Standards.

The air regulations division is charged with the inspection and licensing of aircraft and air-men, the investigation of accidents, and the enforcement of air traffic rules, and the rating of schools. Special corps of inspectors and examiners supervise this work.

Three executive officers—assistant secretaries of Commerce, Navy and War—constitute the Board of Patents and Design for aviation.

It must pass on all aircraft inventions submitted to any branch of the government, and work with the National Advisory Committee for Aeronautics, the central aviation research organization created by the government.

An idea of the magnitude of the governmental work entailed by aviation's development may be gleaned from recent statistics of the Aeronautics branch. Permits have been issued to more than 20,000 students pilots; about 200 distinct airplane types have been approved as well as 26 different kinds of engines; 5,155 planes have been identified, 6,580 aircraft 8,243 airplane pilots and 6,421 aviation mechanics licensed.

Besides the aids to navigation, the govern-

ment is protecting the flying public by requiring that licensed aircraft be repaired only by, or under the direct supervision of, licensed mechanics who have had one year's experience on airplanes and two year's experience on internal combustion engines.

The military services are playing no small part in aviation's development. Both the Army and the Navy are in the latter stages of five-year expansion programmes, which end in 1931. The Army, at that time should have 1,800 serviceable airplanes, and the Navy 1,000. All these craft, as well as experimental ships, either have been or are being constructed by private industry. This gives the industry opportunity to go into mass production and at the same time learn by experience.

All of the Federal aeronautics agencies work in co-ordination, particularly in connection with technical work, and, as a group, they work with the industry.

The activities of the aeronautics services of the Army and Navy are co-ordinated to prevent duplication of effort and secure co-operation and co-ordination in the development and employment of the two branches of the military establishment. Made up of Army and Navy air officers, this Board investigates and reports upon all questions affecting jointly the development and employment of air forces of the military

services. It is charged with the specific duty of "providing sifficiency and efficiency of co-operation and co-ordination."

Under its operation the development of new types of aircraft, aircraft motors, and aircraft accessories, are designated to one or the other of the services. It formulates the plans to prevent competition in the procurement of material.

There are certain devices and instruments developed by the air services themselves that are kept confidential for military purposes, but aeronautics as a whole is given the benefit of Army and Navy research along non-military lines.

A striking example of government co-operation with the industry is in the lighter-than-air field. There is no lighter-than-air industry in the United States. The "Los Angeles" is the only dirigible we have, and it was made in Germany, but transferred to the United States as a part of Germany's reparations settlement.

The Navy wanted to keep abreast of other nations in lighter-than-air craft and Congress appropriated \$8,500,000 for the construction of two dirigibles almost twice the size of the "Graf Zeppelin." A competition for bids was opened and the contract for the two dirigibles awarded to private builders.

After the ships are delivered the Navy hopes there will be established in the United States a

commercial dirigible industry, ready to build for industry air liners with three or four times the speed of the largest surface craft.

A governmental agency little heard about is the National Advisory Committee for Aeronautics. Located in Washington, this organization gives out information for the benefit of the industry, based on scientific study of the problems of flight. Its experiments for the most part are conducted at the Langley Memorial Aeronautics Laboratory, at Langley Field, Va., where a corps of expert aeronautical engineers is stationed.

This organization is charged with the supervision and direction of the scientific study of the problems of flight with a view to their practical solution. It was created by Act of Congress approved in 1915. Aside from these prescribed functions the Committee holds itself at the service of any Department or agency of the government interested in aeronautics, for the furnishing of information or assistance in regard to scientific or technical matters relating to aeronautics, and particularly for the investigation of fundamental problems submitted by the War, Navy and Commerce Departments. The Committee may exercise its functions for any firm, association or corporation within the United States provided that the cost of investigation is defrayed.

One of the recent developments of the Committee was that of the stream-lined cowling, enabling a plane to attain greater speed without added propulsion through the reduction of wind resistance. Another of its studies involves the development of a Diesel or oil burning engine for aircraft, employing solid fuel. This would reduce the weight of the power plant per horsepower produced, and eliminate, in large measure, the fire hazard of gasoline.

Aviation runs along hand in hand with radio. It has been a friend in need for aviation. It has provided its eyes and ears. When aviation was floundering in darkness, afraid of the fog and of heavy weather, the radio beacon was devised, steering the course of the plane by means of a signal sent out from the nearest airport. The aviator, if he can see only a foot ahead through his windshield, has but to glance at his visual beacon indicator on his instrument board which shows him whether or not he is "in the middle of the road." Radio also tells him, through his beacon, how far he has travelled and how close he is to his destination. The beam is operated automatically by two radio waves emitted from a station at the airport.

This device is the product of the Bureau of Standards. It is the most important contribution to aviation safety yet developed. There is still much to be desired in the way of aids to

aerial navigation, and aviation is looking to radio—and to the government for them.

In countless ways aviation is assisted by radio. Vital weather information is transmitted regularly by government stations along established air routes, and for the itinerent aviators. Particular channels are set aside for these weather forecasts and an aviator has but to “tune in” to get the report.

Now the aviation companies, again in co-operation with the government, are working out a plan of allocation of 100 channels set aside for their use in radio communications. These are aside from the government channels used for the transmission of weather information and for the beacon system.

These channels not only will be employed for communication between plane and ground and airport by code, but for two-way telephone communication between plane to ground.

The Army, the Navy, and the Bureau of Standards have pioneered in the development of radio communications for aeronautics. Like the ships on the seas aviation is dependent upon radio for communication and the safety of passengers. By international agreement radio channels are to be assigned, first, to necessary services for which wires are not adapted.

From the early days of the “pusher” plane, to the present-day giant tri-motored air-liners,

the government has helped aviation. All this has occurred in the quarter century since the Wrights made their first flight.

Aviation now involves a capital investment in this country of something like five hundred million dollars. Every day planes fly 80,000 miles, 30,000 of them by commercial air transports which haul passengers and freight, and the remaining 50,000 by the air mail. Commercial air lines operate over 41 of the 48 states, and to some of the Latin American countries on regular schedule. Three hundred of our cities and towns have a part in the aviation industry, either in manufacturing or in operation. And consequently the Federal government in co-operation with the state governments, has become not only the focal point in regulation of air traffic but the clearing house as well of information on aviation.

XXI

OCEAN HIGHWAYS

The Coast and Geodetic Survey is frequently referred to as a scientific bureau because of the accuracy obtained on surveying operations. It is perhaps not realized how great a value in dollars and cents its work has to the commercial and engineering interests of the country, and its importance as well to a large class of citizens.

If we consider the work of the Survey in charting the coasts, everyone recognizes that the mariner must have charts by which to navigate. These charts show in great detail the depths of the water along the coasts, the positions of light-houses and beacons, the channel depths over bars and in river entrances, the meanderings of the shore line and the positions of prominent objects by which the navigator can locate his ship. The surveys for all the coasts of the United States and its possessions are made by the survey vessels of the Coast and Geodetic Survey. Because of the changes in the bars and channels caused by the constant action of currents and storms these surveys in many places must be repeated at frequent intervals. The

Survey has about 20 vessels, large and small, engaged upon this work.

The accuracy of these charts for the navigator is directly responsible not only for the safety of those travelling at sea but also for the low rates of transportation on the large amounts of tonnage carried to and from the ports of this country. The prices the farmer obtains for his produce and the costs of all goods imported from foreign countries are directly affected by the transportation rates.

Along the coast, rivers, and bays are innumerable pleasure craft, from tiny launches to large yachts, which are dependent upon these coastal charts for their safety. More people than ever before are nowadays resorting to water craft for their pleasure where bodies of water are near by. The Coast and Geodetic Survey puts out a special series of large scale charts for the inland waterways along the Atlantic Coast for the convenience of the users of small yachts and launches and the demand for these charts is showing a large increase yearly.

With proper regulation of the fishing industry, the waters of the sea will supply a large part of the food needed by our rapidly increasing population. A knowledge of the depths, currents and the character of the bottom is essential to an intelligent development of this source of food supply and our coastal charts are being

studied intensively for this purpose by the scientists of the Bureau of Fisheries and by the fishing interests themselves.

Along parts of the coasts of the United States, as on the Jersey Coast, the value of the land adjacent to the shore is very great and the beach improvements represent an investment of hundreds of millions of dollars. Changes in those beaches caused by currents and storms cause a huge loss annually. Studies of these changes and of their causes are being made by an association recently formed representing regions along the Atlantic and Gulf Coasts where changes are rapid, and the shoreline and current surveys of the Coast and Geodetic Survey made in connection with their charting operations constitute most of the basic data from which conclusions must be drawn. Old surveys of the coasts are also being constantly used in the courts as evidence of ownership of lands subject to erosion or accretion.

The purposes and value of coastal surveys are easily understood from the foregoing examples, but what does that word "geodetic" mean and why is such a survey needed? "Spherical survey" would be a term much more easily understood and almost as accurate, although the earth is not an exact sphere. A geodetic survey is simply one which extends over such a large area that the curvature of the earth must be

taken into account, and the bearings and distances measured by the surveyor corrected accordingly. As the term is commonly used in this country, it involves determining the latitudes and longitudes of a network of points over the country, which serve as starting points for local surveys and also includes the determination of the elevation of a net-work of monuments, commonly called bench marks. The differences of elevation between these bench marks are found by using a very accurate form of levelling instrument.

Is the matter of any interest and importance, it may be asked, to the man in the street and on the farm? There is, of course, the natural interest one has in knowing how high his house is above sea-level, and the tourist is always glad to see from a signboard how high is each hill and ridge over which he passes, but what economic importance is there in knowing elevations accurately?

The engineer will testify that whenever the flow of water or the grade of a transportation route enters into his calculations the question of elevation is of prime importance. When the country was young, the area involved in any single engineering project was relatively small and rough levels would fulfil the requirements for the construction work. At the present time a single flood control or irrigation problem may

require accurate elevations over thousands of square miles. All of these elevations should be referred to the same level surface, and by common usage mean sea-level has been adopted as the reference plane, or "datum plane" as the engineer calls it.

For half a century the Coast and Geodetic Survey has been engaged in extending a network of first-order level lines over the United States with the aim of ultimately having no point in the United States farther than 25 miles from a monument whose elevation is accurately known. These levels are of such accuracy that the error of closure of the loops formed by the level lines crossing each other is less than a hundredth of an inch per mile. When the net of levelling is finally completed and the errors distributed the elevation above mean sea-level of each bench mark in the system will be known within a fraction of a foot.

For any project, no matter how large, it is possible to run the necessary lines of levels, and it may well be asked why the government should do it. The answer is evident when it is remembered that the surveys made for any private project are not available to the public, yet their cost is added to the capital account of the company and the consumer must pay for them. The same area may be surveyed by several corporations, the cost of each survey being borne by the

public in the end, and yet none of the surveys would probably leave monuments and data which would help the engineer engaged on national, state and city work. In a very real way the completion of the national systems of control surveys is a matter of public concern and of national economy.

Within recent years many cities, both large and small, have executed accurate surveys and have made accurate maps to enable the city engineer to plan his sewers and service lines economically, to give accurate data to the city planner, and to give to the individual property owner more accurate data by which the limits of his property can be relocated in the future. If the city survey can be joined to the national system, troublesome and expensive adjustments in the future would be obviated.

The Federal government itself is a very interested party in seeing the completion of the fundamental system of surveys. For purposes of national defense and of administration there is a constant need for accurate maps. The standard topographic map of the United States being made by the Geological Survey has been completed for only 43 per cent of the territory of the United States proper: it must be based upon accurate elevations and geographic positions on the national datum, supplied by geodetic surveys. The recent floods in the Missis-

Mississippi Valley have emphasized the need for accurate maps for if such had been available hundreds of thousands of dollars' worth of property could have been saved, and plans for flood control in the future could have been made with a certainty not possible at present.

The operations of a first-order surveying party are an interesting thing to watch. To secure greater accuracy the angles between the stations of a scheme are measured at night when the air is steady, an electric signal light being mounted at each station observed upon. In mountainous country the stations are on the higher peaks; in level country wooden towers were formerly built but now steel towers are used for this purpose. Each tower is a double structure, the inner one having the observing instrument mounted on its top, the outer one bearing the platform upon which the observer stands, the two structures not touching each other at any point. These steel towers are 75 to 100 feet high, are moved from place to place on trucks, and one can be erected complete in half a day.

Because of excellent instruments, improved methods and long hours of hard work on the part of the surveyor, the unit costs of the fundamental system of surveys in this country are much lower than in European countries. Foreigners speak with amazement of the progress

made on geodetic surveys in this country and compare the machine-like precision and speed of our surveys to the mass production of our big automobile plants. Not only is there being laid a strong foundation for the surveys and maps of the nation, but it is being completed economically. More than 350,000 maps were supplied in 1927 by the Coast and Geodetic Survey, 75,000 to the American navy and the remainder to foreign as well as American steamship lines and to the public generally. The maps are sold at a uniform price of 75 cents each which covers the cost of the paper and printing. The Coast and Geodetic Survey is a part of the Department of Commerce.

XXII

RIVER CONTROL

Every now and then an important piece of legislation becomes the subject of controversy, the discussion goes off on a tangent and the public more or less loses sight of the broad principles. For months we heard about the effects of the disastrous flood in the Mississippi Valley, then we read of the long debate in Congress and finally a bill that the President threatened to veto was modified to meet most of his objections and became law with his signature.

So now it is pertinent to examine that law and explain what is really going to be done by the Federal government in the hope of preventing floods in the future. It is a big project. The cost will be \$325,000,000 and it may take ten years to do the work. Of that sum the bulk will be spent in labor. Some of the principal expenditures include: one hundred and forty million in building or strengthening levees; eighty million in constructing concrete revetments along the river bank and twenty million for spur dikes to regulate the flow of the river and about sixty million dollars in so-called floodways which shall presently be explained.

Congress did not go into the engineering details. The subject was too technical. Of the plans submitted, all were rejected however, except that of the Army Engineers and that mapped out by the Mississippi River Commission. The differences between them are described as details so Congress created a board consisting of the Chief Engineer of the United States Army, the President of the Mississippi River Commission and a civilian engineer to be nominated by the President and confirmed by the Senate. This board was to reconcile the differences and make recommendations to the President of the United States whose decision was to be final.

The plan is expected to take care of all the water any official agency has been able to forecast might come down the Mississippi.

Both the Army Engineer plan and that of the Mississippi River Commission provide for the strengthening of levees and in some instances raising them from three to five feet and making them a great deal stronger than anybody thought the 1927 flood would require. In other words they are to be so strong that there will not be any lack of confidence that they will be able to hold the water even above the flow line of the maximum flood predicted by either the Weather Bureau or the Mississippi River Commission.

The plans provide that at critical points where the flow rises to excess heights there shall be parallel channels all the way to the Gulf of Mexico through which the waters may pass. These side diversion channels are to be abundantly large to carry any water that may spill out of the river and they are to be made so wide that the water will run through without being clogged. Some differences exist between the two plans as to the size of the diversion channels and that is one of the things the new Board must decide.

One of the greatest dangers in floods comes from the caving in of the river banks. Levees may be built but the river bank beneath the water line must also be strengthened. Bank protection in the form of concrete revetments has recently been developed by the Army Engineers. Floating plants have been designed to pave the river banks below the water line. This means that the water friction is against concrete instead of earth.

In addition to levees and revetments, there will be money spent for dredging for better navigation. Spur dikes which have been used so successfully in Germany and France to direct low water currents will be built to scour out the river at certain points and make the channel deeper.

North of New Orleans a big spillway is to be

constructed in order to be sure that the waters do not in the future endanger the levees which are already 25 feet high. This water is to be so controlled that it will empty into Lake Ponchartrain. This control spillway is to be like a huge trough with levees on each side. It is expected to be used once in every five years. It will be about three or four miles long and will divert a portion of the flood waters before it can reach New Orleans. In fact the plan is to use the spillway whenever the waters reach 20 feet in height. This work is necessary because any raising of the levels of the levees in this region would have involved tremendous expense.

Of the twenty million acres of land in the flood region about thirteen million are regarded as good reclaimed land and seven million are largely swamp and timber areas. The diversion channels in which the water is to be spilled over are mostly in timber and lake regions and hence very little good land is to be devoted to the work of flood prevention.

Inasmuch as big floods are believed to occur only about once in fifteen years, these side channels can be used for cultivation much of the time. Dwellings would be kept out of these areas.

One of the principal reasons for the controversy over the wording of the bill that became

law was that provision which relates to flowage rights. The Supreme Court of the United States has decided that the Federal government is not liable for damages by reason of floods. The new law states that the Federal government shall provide flowage for additional destruction by flood waters which shall pass by reason of the diversion channels. The courts probably will have to decide what is meant by the phrase "additional destructive flood waters." There is no way of telling at this time what the cost of that provision of the law will be but the present appropriation does not leave much money for land payment.

The Mississippi Valley has increased greatly in the assessed value of its land in the levee sections but although the people of many sections have felt comparative safety always, there has been an apprehension about a big flood which has kept the region from reaching its full development. The new plan is so comprehensive that it is expected to give the people who live in the twenty million area absolute confidence in the future.

The effect of such a feeling of confidence cannot be overestimated. It means that cities and towns which have hitherto been held back will go forward with their logical plans for growth. It means that the economic life of the whole Mississippi Valley will be greatly stimu-

lated. It means too that the local contribution of the people of the region in recent years of \$292,000,000, has been matched by the Federal government with an appropriation of \$325,000,000. The Federal government's large expenditure, however, is not a precedent as the principle of local contribution is emphasized in the language of the new law itself:

"That it is hereby declared to be the sense of Congress that the principle of local contribution toward the cost of flood-control work, which has been incorporated in all previous national legislation on the subject, is sound, as recognizing the special interest of the local population in its own protection, and as a means of preventing inordinate requests for unjustified items of work having no material national interest. As a full compliance with this principle in view of the great expenditure estimated at approximately \$292,000,000, heretofore made by the local interests in the alluvial valley of the Mississippi River for protection against the floods of that river; in view of the extent of national concern in the control of these floods in the interests of national prosperity, the flow of interstate commerce, and the movement of the United States mails; and, in view of the gigantic scale of the project, involving flood waters of a volume and flowing from a drainage area largely outside the states most affected, and

far exceeding those of any other river in the United States, no local contribution to the project herein adopted is required."

The states are to agree to maintain the care for the works once the Federal government has constructed them. Also, the states are to provide without cost to the Federal government certain rights of way for levee foundations and levees from Cape Girardeau and the lower River.

The law marks the start of one of the biggest pieces of engineering the Federal government has ever undertaken and a huge task for Army engineers—another evidence of the responsibilities given to the Federal government nowadays with the consent and indeed the urging of the states themselves.

XXIII

MUSCLE SHOALS

The debate on the Muscle Shoals problem has been going on ever since the War. It involves some of the most fundamental issues in the life of our country.

National defense is one, cheaper fertilizer for the agriculture of our country is another. Government ownership or private ownership is another and the question of the efficient use of electric power is still another. Now merge all these questions together and realize that besides interests in this country there are interests all over the world affected by the price at which fertilizer sells to the American farmer and you get some idea of how difficult it is to form a national policy that is satisfactory to some if not all of the groups interested.

Muscle Shoals is the name given to a 27-mile stretch of the Tennessee river. This portion of the river is in northern Alabama within 16 miles of the Tennessee line. For one hundred years prior to 1915 there had been a discussion of how to improve the navigation of the Tennessee river at Muscle Shoals. The origin of the name is in

dispute. The earlier records spell the name M-u-s-s-e-l and it is said that the name came from the collection of mussel shells. The army engineers have always used the spelling "M-u-s-c-l-e" shoals and the assumption is that the shoals at this point where the river is from a mile to a mile and a quarter wide and where the bottom is hard and rocky, the exertion required on the part of early boatmen brought the name Muscle Shoals.

In 1915 this portion of the Tennessee river was held forth as a conspicuous example of what could be done to improve navigation and develop power at the same time and the first surveys by army engineers were made and committees from Congress visited the scene. The plan was by a series of dams and locks to overcome 100 feet of elevation instead of by lateral canals or deepening the channel. The objectives were better navigation and the development of water power.

Aside from its value to industry generally, water power is essential in the making of cheap electrical energy for the manufacture of nitrogen. The air we breathe is four-fifths nitrogen and one-fifth oxygen. Methods have been discovered whereby the nitrogen in the air can be extracted and by a certain electro-chemical process fixed in physical form so it can be used. This is called fixation of nitrogen. And the finished substance when combined with other ele-

ments can be used not only for making explosives but for fertilizer or plant food—its principal use in peace times.

Before the War, all countries were dependent on Chile, where nitrates in mineral form are found. Then Germany cut off by the British navy from a supply from Chile began to use artificial process of making nitrogen. Having a little water power, electrical energy was generated in Germany by steam plants using large quantities of coal. It will be recalled that two naval battles were fought by the allies in South American waters to protect the transport of nitrates from Chile, the first in which the Germans were victorious and the second in which the German fleet was destroyed. The Germans endeavored to cut off the supply for the allies of Chilean nitrates needed in making explosives and needed for plant food of various kinds to sustain life.

It is contended by those who insist we must have an independent supply of nitrates ourselves that as the population of the United States increases, our farmers must have cheap fertilizer to keep down the cost of production. Some estimates are that in the artificial nitrogen products the per cent of plant food is higher than in the Chilean nitrates. It is claimed that it will be possible to grow a bale of cotton in an acre instead of three acres and that economies of farm

production depend on keeping the price of fertilizer low. Besides, the Chilean nitrates in order to compete must be produced at a cost low enough to pay ocean transportation and an export duty to the Chilean government. The American farmer's bill for fertilizer amounts to more than \$225,000,000 a year. Now there are some forms of fertilizer taken from cottonseed meal, fish scrap and slaughtered animals which are used, but they command in most instances a price as stock feeds which makes them expensive to use as fertilizers.

Three commercial plant foods are used in fertilizer—one is ammonia, the other phosphoric acid and the third is potash. We have phosphorous deposits in Florida, Tennessee and Montana.

We are developing potash deposits but we depend on the German-French potash supply, and as for nitrates we have made some progress in artificial manufacture but it is not cheap enough as yet to make manufacture in quantity for the farmer worth while.

In 1915 Senator Ellison D. Smith, of South Carolina, led the movement for the establishment of a government industry for the making of nitrates by what is known as the cyanamide process. It was a method of fixing nitrogen which ordnance officers had recommended on the theory that if we were cut off from Chile

we would not have a shortage of nitrates. President Wilson was so interested in this possible development that as a measure of national defense he encouraged the idea and in June, 1916, signed the bill passed by Congress. And it is interesting to recall that when we did enter the War in 1917 it was determined to build a steam plant to furnish power inasmuch as the power development at Muscle Shoals could not be gotten ready in time. Not knowing how long the War might last the government went ahead with a programme of building nitrate plants and dams on the Tennessee river to insure more power. It was realized that to use steam plants in peace time to make fertilizer would be too costly.

So there was erected nitrate plant No. 1, a small unsuccessful experimental plant, and plant No. 2, which had a capacity of 40,000 tons of pure nitrogen using the cyanamide process, equivalent to about 250,000 tons of Chilean nitrate per year. And the Wilson dam, about 100 feet high and 4,500 feet long of solid concrete, was built. About one-fourth of the dam was finished before the Armistice. Appropriations were refused in 1920 to complete the work and finally by successive appropriations eight out of the eighteen power generating units were completed and the total cost of the whole Muscle project thus far has been in the neigh-

borhood of \$125,000,000, of which about \$30,000,000 was spent after the war.

The problem of what to do with the whole thing has kept Congress debating the question for several years. In 1921, four power companies when invited to make a proposal to buy the power advocated abandoning the whole project as commercially unsound. Later in the same year, however, it became evident that the big power development might be utilized in some way by the government. Thirteen power companies came forward with a proposal to lease the power plants. Henry Ford made a bid to lease the plants for one hundred years, offering to manufacture fertilizer at a profit to be fixed by the government and to lease the power. His bid was not accepted although the House of Representatives voted to adopt the plan. He withdrew his proposal in 1924 but in a sense his offer had the effect of establishing the commercial value of Muscle Shoals. If Henry Ford saw a value in it, the government was not ready to scrap it. The American Cyanamide Company has made an offer to lease the project which is described by its sponsors as better than the original Ford offer. This is disputed by Senator Norris who thinks the Ford offer was better for the government than the latest plan of that type. The American Cyanamide Company are the only producers of electro-chemical fertilizers on

this side of the Atlantic. Their plan in the form of a bill introduced in the House in the 70th Congress by the late Representative Martin Madden of Illinois, chairman of the Appropriations Committee, was a direct contradiction of the plan which the Senate had previously approved. That plan sponsored by Senator Norris of Nebraska provides that the government through the Secretary of Agriculture shall construct and operate fertilizer plants and that \$10,000,000 shall be appropriated for further experiments at Muscle Shoals and that the power from the dams be sold to the counties and states adjacent and transmission lines built and current sold wherever possible within the radius of Muscle Shoals. The plan gives municipally owned plants preferential treatment over private concerns which, to obtain power, must agree to a government limitation of profit.

In brief, the Norris plan provides for government reimbursement through power sales of funds spent in making and selling fertilizer. Mr. Madden contended his plan would keep the government out of the fertilizer as well as the power business.

Now the groups interested on both sides are these:

First the private manufacturers of fertilizer who do not want the government entering as a possible competitor against them. Then there

are the private producers of foreign nitrates who naturally do not hope for American competition. American investors, too, are large owners of some of the foreign companies producing fertilizers.

It is contended by those who want the government to spend money for experiments in making fertilizer that this is a proper government function and that it is too expensive for private interests to do. This has aroused a fear that once the government entered the business of making fertilizer it would not get out.

Second, there are the power companies. If any power is to be sold they want to lease it on as reasonable terms as possible so as to keep the government out of the business of developing or distributing power to states and municipalities.

Third, there is the government ownership school which believes cheaper power can be obtained by government ownership of power plants and the harnessing of the waters of important rivers. Opposed are those who believe the government should not engage in the generation or sale of power. Then there is the group which does not believe in any government ownership of new plants but feels that since the government already acquired the Muscle Shoals plan during the War the plant should be used and the power sold. Involved in this, however, is a

fear of the power companies that if the government entered the power business on an extensive scale, it would ultimately be difficult to persuade the government to get out of it.

Fourth, the people in the Tennessee valley who hope that something will be done because it means the growth of cities and towns and the development of industries with large payrolls.

And finally the War Department and the people generally interested in national defense so that a supply of nitrogen independent of any other country can be developed.

Commissions of inquiry, joint committees of both Houses of Congress have been appointed, bids have been sought by the Army engineers and by congressional committees and exhaustive reports have been made. We have seen arising conflicting interests of those who want to see something done and those who prefer nothing to be done, those who, on the one hand, want to develop fertilizer at low cost and those who question whether it can be done or whether the government should compete with private industry and the broad question of whether the government should go into the power business at all.

These conflicts of interest keep the subject from being settled. And since there is no urgency like an approaching war, the chief impetus back of the movement to get something done

comes from the agricultural interests of the country. It is argued, for instance, that the vote in the Senate to put government ownership and operation into effect at Muscle Shoals did not reflect a clear-cut issue of government ownership as some felt the government should use a plant already owned by the government.

It is far too technical to discuss the merits of the different processes for the making of fertilizer and much of the proceedings has been filled with the testimony of experts. There is a great deal of opportunity for honest differences of opinion and the debate has shown clearly why there is delay in handling a subject where ramifications touch the electro-chemical industries of the world, the power industry, the war machines of the major countries of the world and an unceasing competition in processes between scientists involving possible cheaper production of food for the peoples of the world.

XXIV

REGULATING RADIO

Just why the Federal government should take unto itself certain powers is not always clear from a reading of the Constitution and we must find what are called the "derived powers," powers that have come as a result of Supreme Court decisions and a series of laws that have been built upon such decisions.

Why does the Federal government assume the right to regulate radio and just how far does the governmental authority extend over broadcasting? There are apparently many misconceptions about it in the minds of the people and the whole subject of radio broadcasting is so recent that it can hardly be said we have done anything else but feel our way along as to constitutional rights.

Broadly speaking, the Congress has been legislating on radio matters on the theory that broadcasting is communication and that communication is in itself interstate commerce whether the same is done by telegraph by dots and dashes or by the human voice in telephone conversation or in the distribution of addresses or entertainment across state boundaries. Un-

der the Constitution, Congress is given the sole right to regulate interstate commerce, a clause which has given the Federal government authority to regulate the railroads and other means of transportation and the passage of products from state to state.

The Federal government might have assumed the right to regulate radio as a matter of national defense because wave lengths are limited in number and the Army and Navy would naturally have the right to reserve those wave lengths or any other channels of communication necessary for military or naval purposes. As a matter of fact the President of the United States is authorized under existing law to reserve such wave lengths as the Army and Navy might need for either peace-time or war-time purposes.

The primary theory under which Congress has been legislating is that radio broadcasting is interstate commerce. It is well to bear that in mind because many people have thought that government regulation carried with it other powers such as the right of censorship of what goes on the air. Under the Constitution the right of free speech is guaranteed. The government has no power to interfere with what is said over the air except of course as the ordinary laws of libel or fraud or decency might be violated. The same right that inheres in a newspaper or magazine to express an opinion is

granted to those who own or operate broadcasting stations. But the station itself can withhold or censor or to use a more accurate term, may edit any speech or utterance sent out through that station just as the editor of a newspaper or magazine decides whether he shall print the manuscript brought to him by a reporter or would-be-contributor. Most of the speakers and contributors to the radio programmes nowadays are volunteers and each station reserves the right to accept or reject a would-be speaker.

The government's right on the other hand to say whether a radio station shall permit too much of one kind of programme or less of another has not been clearly defined. The radio law in effect at present created a commission which was to allot licenses to stations that applied for them. These licenses are good for sixty days or three months and then are renewed if the commission so desires. The reason for the licensing system is that there are only a certain number of wave lengths or air channels available and if every station took whatever wave length it pleased there would be confusion on the air and the value of all wave lengths would be destroyed. In other words the government has assumed a certain ownership over the air channels very much as communities own rights of way for railroads or street-cars. Franchises are given for a certain period to transportation

companies. So are licenses issued for particular wave lengths on the air. Every station applying for a wave length must sign a legal waiver agreeing that by using that wave length it is not acquiring a vested right. The reason for this is that the government knows that possession being nine points of the law, several of the stations which have been using certain wave lengths might come into court and get an injunction to prevent the government from taking a wave length away. At present, therefore, the government retains full possession of the wave lengths and allots them through the radio commission on the basis of "public interest," "convenience and necessity." These phrases are susceptible of broad interpretation.

The Radio Commission had been issuing licenses for sixty days' duration and the amendment to the present radio law gave the Commission the right to issue licenses for not more than six months up to 1930 as it is desired to test the experience of the public and make it possible to withhold or grant licenses in accordance with public interest, convenience and necessity. These licenses state specifically the wave length that may be used, the power a station may have and the time it may use the air. The present law constitutes the Radio Commission as a board of original jurisdiction for a specified period after which the Department of Com-

merce is to take over the administrative functions and the Commission is to act as a sort of court of appeals. The existing law is the work of Senator Dill of the state of Washington and Representative Wallace White of Maine and its authors are constantly considering amendments that will strengthen the law and eliminate controversies over radio broadcasting. There have been a number of these controversies particularly as certain stations have been reduced in power or given wave lengths permitting them less distribution than they formerly had. The test after all is the effectiveness of the station judged by certain fundamentals which the Commission believes are desired by the public.

For after all the public is the real censor and the real sovereign as to radio, just as the public decides whether it shall continue to give or withhold its patronage from a particular newspaper or magazine. As for advertising, the Commission has been asked to consider how far radio stations may sell their time for direct advertising. It is an open question whether the Commission would be sustained by the courts if it attempted to interfere with the sale of time by a broadcasting station but on the other hand a programme consisting entirely of direct selling might bring about such public protest that the Commission would then consider whether the station was in the public interest.

This point is complicated because one school of thought leans toward the idea that radio broadcasting becomes a sort of public utility while another school insists that stations simply present a service and cannot be regulated as to the things said or distributed any more than a newspaper or magazine or even a press association engaged in selling a service to newspapers can be restricted as to the character of news it shall distribute to them or the amount of advertising they can publish, and that the principal thing which can be regulated in radio broadcasting is the use of mechanical facilities, wires and wave lengths insofar as they trespass on one another.

No objection has been expressed, by either congressional committee or indeed by the Radio Commission to what is known as indirect advertising on the radio. If it were not for the fact that many large national advertisers feel it worth while to put on a programme of their own merely for the good-will which the mention of their name or their product obtains for them, radio programmes would not be so far advanced as they are to-day in the United States. In England, the government levies a tax on the owners of radio sets so as to get the money to pay for broadcasting programmes.

Many people have wondered how such accomplished artists and musicians happen to enter-

tain without charge to the hearer. These artists and their programmes are sponsored by national concerns which pay the artists as well as the broadcasting companies. But even this is not sufficient to make a concern like the National Broadcasting Company self-sustaining and its deficits are made up by its owners who are themselves interested in the increased sale of radio equipment. For the National Broadcasting Company is owned by the Radio Corporation of America, the Westinghouse Electric Company and the General Electric Company.

The National Broadcasting Company does not hesitate, however, to permit the use of its facilities for companies like the Atwater Kent and any other radio manufacturers as the rates charged are all uniform and available to anybody whether competitor or not. In this respect the National Broadcasting Company has already adopted an attitude of impartiality, offering its service without discrimination. It is well to point out that the American Telegraph and Telephone Company pursues the same policy, leasing its telephone wires to the National Broadcasting Company or to the Columbia chain or any other company desiring to develop a network.

It is popularly believed that the National Broadcasting Company owns all the stations in its various networks but this is inaccurate. The

National Broadcasting Company owns only one station, namely WEAf, and only manages WRC and WJZ. As for the other stations on the network they are individual entities who accept or reject programmes offered to them. The National Broadcasting Company operates on the syndicate principle which has been so successful in news gathering and distributing organizations. For instance the Associated Press, or the United Press or the International News Service or the Consolidated Press Association each engages a staff of writers and then offers service to individual newspapers who pay varying sums but because there are a number of newspapers dividing the expense it is possible to do things which an individual newspaper could not possibly afford. Thus one broadcasting station could not afford to engage opera stars. The National Broadcasting Company co-ordinates the programme for the stations affiliated with it and pays for the long distance wires and the use of the stations. It is doubtful whether there are many broadcasting stations on a self-sustaining basis as yet. The stations are usually owned by companies who feel that a certain good-will is acquired by furnishing service to the public.

Radio broadcasting has many legal hurdles ahead and the constitutionality of the radio law itself has not yet been finally tested though the

friends of the statute are hoping it will be soon so that whatever legislation may later be needed can be predicated on what the Supreme Court of the United States finally says as to the powers of the Federal government to regulate the issuance of licenses.

XXV

FOOD INSPECTION

We are naturally selective about what we choose to hear and we are careful about what we read but how indifferent we are to what we eat! Billions of pounds of food are consumed by the American people. And yet do we give as much as a passing thought to the purity or impurity of the food we take into our bodies three times a day?

Strictly speaking it should have been a function of state and local government to inspect foods. In fact, local regulations do cover much of the food inspection but here was an activity which involved interstate commerce—the manufacture of food products in one state and their distribution to markets in other sections of the country. Under the Federal Constitution Congress was empowered to regulate interstate commerce. That is how a number of laws have come to be passed which deal directly with the food supply of the nation.

More than forty of these statutes, for instance, are enforced by bureaus in the Department of Agriculture. Usually when one thinks of that department the impression is that its

activities relate only to the farmers. The 40 laws relating to the nation's welfare whose enforcement is vested in the Department of Agriculture were intended as much for the protection of the city folks as the people of the farms.

The Meat Inspection Act guarantees the wholesomeness of the public meat supply and is enforced by the Bureau of Animal Industry, a name which hardly tells anything about the wide-spread functions involved in its daily tasks. Not only is an inspection provided before but after slaughtering. Supervision of slaughtering establishments is undertaken to insure proper sanitary conditions. During one year more than 68,000,000 animals were inspected in 913 different establishments located in 259 cities and towns throughout the country. Inspection of several billion pounds of prepared meat products was also accomplished.

Then there is the Federal Food and Drugs Act popularly known as the "Pure Food Law" which was enacted in 1906 to help protect the public against misbranded and improperly mixed foods and drugs. Improved methods have been developed in the preparation and handling of foods which have aided in raising the quality of these products.

The government finds itself constantly obliged to watch the preparation of food products lest carelessness creep in. Although some 15,000

violations of the law have been prosecuted in the courts resulting in a verdict for the government, W. G. Campbell, director of the regulatory work of the Department of Agriculture, points out that the "greatest value of the law lies in the educational work which is constantly being carried on in connection with it looking toward an improvement of the nation's food and drug supply."

From the date of its passage until the first of July, 1927, this work has been administered by the Bureau of Chemistry—another name which would hardly be associated offhand with pure foods—but now the work is being done by another division in the Department of Agriculture known as the Food, Drug and Insecticide Administration. Here again from the official title it is difficult immediately to recognize the significant and valuable functions performed by this division.

Another law which has far-reaching effects on the food supply, principally, however, its price to the consumer, is the Packers and Stockyards Act. It was designed to prevent unfair and deceptive practices in the interstate marketing of live stock or the creation of a monopoly in the buying of live stock or in the sale of meat. This law has resulted in the elimination of many abuses of long standing in the marketing of cattle on the public markets, introducing more

humane methods of handling live stock, improvement in quality and maintenance of fair prices for feed obtained and the bonding of firms doing business in the stockyards to insure prompt payment to producers who have shipped their live stock.

The government endeavors through the Tea Inspection Act to examine tea imported into the United States so that our supply of this beverage may be beyond reproach. Then there is the law which protects the vegetable kingdom from diseases that may be brought in from other countries. This is known as the Plant Quarantine Act. Before its enactment millions of dollars of losses were sustained through the Japanese beetle, the Oriental fruit moth, chestnut blight, European corn borer and citrus canker. More than 3,000 different species of insects were intercepted in one year at the various ports of the United States by inspectors employed under authority of this law, and plant material infected with more than 3,000 different plant diseases was discovered and destroyed. The act is administered by the Federal Horticultural Board.

Altogether the Federal government has many varied activities some of which attract the attention of the citizen constantly and others about which little is ever heard. These laws are administered from day to day with the same ex-

pert care and conscientious application, no matter what political administration is in power. In fact the protection of the food supply of the nation is only one of the many activities which go on from day to day whether or not Congress is in session or whether the heads of departments and the President happen to be here in Washington. For the Federal government is in large part a non-political structure charged primarily with the huge tasks of administration that bring the business men of the country, the producers, the manufacturers and the distributors under the constant watchfulness of an army of specialists and inspecting officials. It is perhaps our confidence in the efficiency of these men that causes us to regard with so little worry the foods we eat—we have come to accept as a matter of course Federal supervision of foods as a primary function of government.

XXVI

FULL GALLONS

Millions of persons drive their automobiles up to a gasoline filling station, ask for a few gallons of gasoline, pay for the same and drive away, seldom stopping to wonder if they really received full gallon measures. Millions of persons step into taxicabs every day in thousands of cities, drive a few blocks or a few miles and never question the little metre which records the distance. There are sceptics of course, but most people have a blind faith that somehow the law takes care of the fraudulent.

On what is that faith based and how far is it justified? Annual conferences on weights and measures are held under the auspices of the Bureau of Standards of the Department of Commerce. Delegates come from every state in the Union. And these men are the ones who endeavor to protect the public either through the introduction of mechanical devices which make accurate weights and measures or through a system of inspection that reaches into the smallest cities and townships.

Yet the problems are constantly multiplying. The conference is a voluntary affair. There is

nothing compulsory about it, but so great is the interest of all state officials in matching experience and exchanging ideas that each year sees some advance in the methods of insuring accurate measurements. Thus the conference discusses mechanical devices among other things which will make it difficult for the taxi driver to say his metre is out of order. Then there is the householder's difficulty with the measurement of dry goods in department stores. The delegates tell of the experience of department stores with mechanical measuring yard sticks not merely to avoid short measurements to customers but to protect the stores against loss through over-measurement. The problem of correct weight for ice is another subject on which a variety of suggestions are offered. Several cities are requiring machines which cut the blocks of ice in large and small blocks so that the measurement is not left to the eye of the ice-chopper. Then there is the problem of how to sell ice cream as it has been claimed that the amount of swell or overrun, that is the amount of air incorporated in the frozen product, could be regulated. One interesting item studied is how large a so-called quart bottle should be in order that the motorist shall get a full quart of oil, instead of a quart minus the amount that clings to the bottle.

. Another kind of supervision of weights and

measures was presented in a report of an investigation on the marked weight of hams and other smoked and fresh meats, the object being to insure the retail dealer or customer will not be asked to pay for the marked weight of a ham, for example, which is marked 15 pounds but which has shrunk a pound and a half since it was first weighed and marked.

Questions like these illustrate the far reaching problem of weights and measures as it directly affects the individual, but this is only a small part of the work that must be done in large industrial and business operations. The scales used in weighing commodities like coal, oil, grain products, fruits shipped in baskets and containers and the articles of general commerce must be accurate.

Delegates from the different states report the progress which they have made during the year and present for the consideration of the conference special problems yet to be solved.

Many states have recently added to their laws on the subject of weights and measures for the purpose of strengthening the protection afforded to the purchasing public and to the reputable merchant in all matters involving weighing or measuring.

The secretary of the conference, Mr. F. S. Holbrook of the National Bureau of Standards, summarized weights and measures conditions

throughout the United States as a whole in a report which he presented to a recent conference stating that there is evidence of increased activities throughout the southern section of the United States, a section which he says has been somewhat slower to provide for adequate weights and measures supervision than have those states in which there are relatively larger industrial and manufacturing interests. He observes, too, big business is quick to realize the importance of weights and measures supervision and gets behind movements to provide the standards and the organizations necessary to make this supervision possible and effective.

The Federal Constitution granted Congress the power to fix standards of weight and measures, but curiously enough the various states and cities have taken over the function of enforcing equitable standards in their respective localities. Legally there is little doubt that Congress could at any time pass laws requiring uniform standards and superseding state laws so far as articles used in interstate commerce are concerned. In fact it has been claimed that Congress could take over the whole subject of weights and measures under the Constitution. And indeed some of the manufacturers who find it difficult and costly to comply with the variety of state laws have suggested Federal regulation, but the enormous machinery of in-

spection and enforcement is so localized that the Federal government has never felt it necessary to undertake the task, especially since uniform laws are being sought by voluntary cooperation by the states themselves. Thus sixteen years ago at the annual conference a model law was drafted which has since been adopted by 24 states. The Federal government, however, is being asked by the states to act for them in many instances in approving types of measurements. For the Federal government retains here the actual authoritative measurement.

The primary standards of length and weight of the United States have not been seen by many people in this country because they are carefully preserved in a special vault at the Bureau of Standards in Washington which is rarely opened; in fact there are but three people at the Bureau who know the combination and have access to the keys of the safe-door which guards these standards.

If a measuring device is offered for approval or disapproval, the Bureau of Standards is ready to give its opinion to the state or city asking for the same. The Bureau is sort of clearing house of information for the departments of weights and measures in the 48 states. Research bureaus are maintained here and testing devices.

Thus it is becoming evident each year that the

Federal government is co-operating with the states in standardizing the types of machine used in weights and measures and in exchanging information over the new problems that arise. But the work of enforcement of the law and inspection is being left to the states and cities. The problem of fraud is not always the primary question. In many instances short weights or overweights are due to carelessness or inadequate measuring devices. The weights and measures official is as interested in protecting the dealer from loss as he is in guarding the consumer against fraud. The fact that a mechanical device exists at the filling station which we know can be inspected helps to build faith in the measurements we receive. It may not be a spectacular activity of the government to guard weights and measures but it is of far reaching importance in the daily life of our people.

XXVII

UNCLE SAM AS A BUYER

Few people realize that the government of the United States is the largest single purchaser of commodities in the world. Between \$250,000,000 and \$300,000,000 of materials and supplies are bought annually. The items vary from food products to pig iron and from hosiery to hardware. And when the government buys, it buys on specifications or suitable quality standards.

This is such a large business in itself that it requires co-ordination—a word by the way of which we have heard little since the War but which persists in the government's vocabulary and which persists incidentally in the office of the Chief Co-ordinator who is a part of the budget bureau of the government, being charged with the direction and application of uniform business principles. Like his superior the Director of the Budget, he is independent of any executive department, being responsible to the President through the director of the budget.

To settle the constant quarrel between quality and price the government has set up certain specifications for purchase. The Federal

Specifications Board under the Chief Co-ordinator is composed of one member from each department which purchases materials and supplies in accordance with specifications. The Director of the Bureau of Standards is ex-officio chairman of the board and the detail work of the board and its 76 technical committees is handled by the vice-chairman. Government departments are required by an order of the President issued through the budget bureau to purchase only in accordance with specifications laid down by the Federal Specifications Board.

The general principle of organization is the same for all the various co-ordinating boards of the government. In each case the Board proper formulates the unified policies that serve to guide the departments concerned. The plans under which these policies are carried into execution are the work of technical sub-committees composed of the individuals who draw up plans of like character in their respective departments. Working as a body, they are enabled to view every situation as a whole and to so divide and distribute their several duties as to avoid interior competition and interference and to concentrate their efforts. By this procedure the plan of each department is made a co-ordinate part of a Federal plan by which the separate agencies are enabled to co-operate while acting independently. The technical sub-com-

mittees are parts of a highly flexible machine quite the antithesis of a rigid centralized machine, and the individuals composing these committees remain, as heretofore, the active agents of their respective departments, but now placed in a position to plan more intelligently because possessed of a common knowledge of all the facts affecting the Federal problem.

The Federal co-ordinating agencies affecting purchases are the General Supply Committee, the Federal Purchasing Board, the Co-ordinator for Purchase, the Federal Traffic Board, the Federal Specifications Board, the Inter-departmental Board of Contracts and Adjustments, the Inter-departmental Board on Simplified Office Procedure, and the Federal Business Associations organized in the larger metropolitan districts to recommend to the Chief Co-ordinator and to effect such approved procedure in purchase as may be productive of economies.

The operation of the General Supply Committee has resulted in standardization of supplies used in common by Federal activities, in a reduction in the number of special items purchased and in a reduction, by reason of the larger orders, in the prices paid. Annual contracts for commodities subject to wide fluctuation in price have been discontinued, and consolidated definite-quantity purchases are being made.

The Federal Purchasing Board, which is a policy forming rather than operating board, has through its agent, the Co-ordinator for Purchase, developed the purchase of lubricating oils under a single contract covering the requirements of several departments. To avoid duplications of laboratory technical effort in determining relative performance of various brands, several departments are now obtaining their requirements of hacksaw blades from stock maintained by one department through consolidated purchases made by it in anticipation of advance estimates received from those departments. Combined purchases have been made to meet the needs of two or more departments of such common articles as surgical absorbent cotton and explosive chemicals. Uniform methods of purchasing bituminous coal are being placed in operation. Departments owning but few automobiles are now able to obtain the trade discount allowed on repair parts, in consideration of the large number of automobiles owned by the entire government. Prospective bidders can, by application to a central contact, be included on the mailing lists of all departments to receive invitations for bids. All departments are informed of the action of any one department in debarring unsatisfactory bidders from receiving consideration in future purchases.

The Federal Traffic Board has effected lower

transportation rates by freight reclassification, by securing additional landgrant equalization agreements, or by modifications of such agreements heretofore in effect, and has developed more economical transportation routes.

The Federal Specifications Board has compiled and promulgated more than 500 U. S. Government Master Specifications for the use of Federal Activities and has standardized nomenclature and dimensions, thus limiting the number of types, sizes and grades of manufactured products used by the government.

The Inter-departmental Board of Contracts and Adjustments, in contributing to the improvement of purchasing conditions, has completed a proposed contract law, to repeal and modify many statutes, which in the light of industrial developments are acting to hamper good business-like buying. This Board has also prepared standard bid forms and contracts for the procurement of supplies and services, and these together with standard bid and performance bond forms have done much to attract and retain desirable competition.

The Inter-departmental Board on Simplified Office Procedure promotes economy and efficiency in routine office administration. The field of its accomplishments includes the standardization of procedure on such matters as the protection of payroll monies, departmental surveys for

surplus office supplies, the classification of executive papers with a view to the adoption of a method for the destruction of correspondence and records whose value has terminated; the adoption of a uniform plan for listing Federal activities in telephone directories; the standardization of office supplies, especially in connection with the reduction in varieties of sizes and number of envelopes procured and the standardization of the Federal requirements in wrapping twine.

While there may be some aversion to boards in government, those to which reference is here made have applied business principles and have eliminated much duplication and waste in government purchase.

XXVIII

SELECTIVE IMMIGRATION

It was not until 1882 that an exclusion law was passed. It affected the Chinese principally. Economic reasons, namely the competition of Asiatic labor, were advanced to Congress in this connection. In 1907 a law was passed excluding certain classes of immigrants no matter what country they came from and these classes, 27 in number, included the criminal and morally deficient.

For more than a generation the question of establishing a literacy test was debated. It required that an immigrant should be able to read or write some language, not necessarily that of the country from which he or she had emigrated. President Taft vetoed such a bill when passed by Congress and so did President Wilson but the measure became law in 1917 over Mr. Wilson's veto.

Before the War, immigration was unlimited and sometimes went as high as 1,300,000 immigrants a year. After the War the rush to America was such that immigration amounted to about a million persons a year. This was more than Congress thought the United States could

absorb without endangering the opportunities of American labor. Unemployment was growing and the depression of 1921 had its effect on the whole situation, so in 1921 the first law applying a numerical restriction was passed. In fact, it was the first quota system applied anywhere in the world. It placed admission on the basis of three per cent of the 1910 census. Thus if in the census of 1910 it was found that there were 1,000,000 Germans in America, then three per cent or 30,000 new immigrants from Germany could come in within a single year. All others could have their names on a waiting list for the succeeding year. American consuls abroad had to approve the applications and would of course not grant any applications if the quota were filled. So if anybody tried to board a steamer for America, the steamship officials would not approve and if by chance any one reached an American port without a passport properly approved at the point of origin then the immigration officials would order that individual sent back abroad.

The effect of the 1921 law was to reduce the amount of immigration from Europe but there was no restriction against immigration from Canada or countries in this hemisphere. Nor was there any such restriction adopted even in the 1924 law which kept all the preceding legislation intact but changed the percentage to two

per cent and also the basis from the 1910 census to the census of 1890. Naturally there were smaller groups of foreign residents here in 1890 than in 1910 so the effect was to reduce the number in each quota. For instance, to use the same illustration mentioned before, namely, if 1,000,000 Germans were counted in the census of 1910, then three per cent would permit 30,000 new German immigrants. But suppose in 1890 there were only 500,000 Germans, then two per cent of that number would mean a quota of 10,000 a year.

All quotas were thus reduced, particularly the southern European. But even this change in the number of immigrants was not satisfactory to the groups in America seeking a change. It was found that about 164,000 immigrants came in under the quota system which was a marked decrease from the million a year of pre-war days. It was, therefore, sought, and successfully, to change the whole basis of calculation again. This time the economic groups, namely labor, did not actively advocate any change, the impetus coming largely from what are known as patriotic societies and other organizations who believed the quality of the American stock would be improved by a system known as admission by "national origin." This plan is now a law, having been promulgated by the President in the spring of 1929.

The basis is rather complicated. Let it suffice to say that the plan allows a total of 150,000 immigrants a year. This group is made up of certain proportions from all nationalities, based on ancestry. For instance taking the census of 1790, which was merely a list of names without national origin being given, and examining that list of probably 3,000,000, it would be assumed that all persons whose names were English-looking would be counted as English and so on. The difficulty however is that many names were changed a generation or more before the colonists came. Thus, for instance, the Commissioner General of Immigration to-day is Harry Hull. He says his ancestors came from Germany to England with William the Conqueror, their name being Halle. It later was changed to Hall and finally to Hull. Many of the Smiths originally spelled their names Schmidt.

The Congressional committees used a table which compares the number of immigrants who would come in under the national origin scheme and the number coming in, under the previous law, namely two per cent of the 1890 census. It shows for instance that whereas 28,567 persons could have come in from the Irish free state every year, 17,427 are permitted to come in under the national origin plan. The German quota is diminished from 51,227 to 24,908. The Russian quota is increased slightly and the

Italian quota increases from 3,845 to 6,989. The quotas of Switzerland, Denmark, France, Norway and Sweden are decreased. The largest single increase is in the British quota which is nearly doubled. Under the British quota is included northern Ireland.

Incidentally, the poor Indian who was the earliest inhabitant of the American continent is having his troubles with the present immigration law. The law says only persons of the White or African races are eligible for citizenship when they come into the United States. Thus an Indian born outside of the United States cannot be admitted. There are tribes in Canada who wish to foregather from time to time with their kinsmen in the United States. They have long had this privilege and they claim it as a matter of right under old treaties. The Secretary of Labor, under whose department is the immigration bureau, is advocating that Congress revise the law to take care of such Indians.

XXIX

PASSPORTS AND CITIZENSHIP

It is unfortunately true that most of the difficulties encountered in getting passports or permits to re-enter the United States are due to unfamiliarity with the regulations.

First of all a distinction should be drawn between citizens and aliens. Citizens are entitled to passports from the government of the United States. Persons who have taken out their first citizenship papers or indicated a desire to become citizens are not citizens and hence not entitled to passports from our government.

Any person born in the United States is a citizen whether or not his or her parents were naturalized. All persons born abroad but who have completed the process of becoming naturalized here are citizens and their children under 21 automatically become citizens. All citizens obtain their passports ultimately through the passport division of the Department of State at Washington but they may make their application to the clerks of any Federal court or at county offices.

All persons who are not citizens are classed as aliens. Aliens who are in the United States

and want to go abroad must get passports from the consuls representing the governments of the countries from which they originally came to America. But a passport is really only a requirement of the countries in which one wishes to travel. Few governments require that if an alien wishes to leave he or she shall have a passport. The passport is examined when entering another country and by the officials of that country. Supposing therefore a person were originally a subject of France and after living in the United States wishes to go across the boundary or abroad, perhaps to Europe or to South Africa. That person must apply at any one of the French consulates which are scattered throughout the United States and obtain a French passport. Then if it is desired to visit Italy, for instance, a visa or stamp of approval must be obtained from an Italian consul in America. All this is nowadays a matter of routine and the data can be obtained by mail in a few days. People intending to travel should allow at least thirty days, however, or more if possible within which to get their passports and the necessary visas from foreign consuls.

But assuming that an alien has his or her passport and the visa, can he or she return to the United States? This is a question on which there is much misinformation current. We are not referring to citizens of the United States

who can, of course, go and come to the United States without having to worry about immigration inspection here—merely showing their passports, but to aliens who have been here and are not citizens and yet want to make trips abroad. They can go away for specified periods, usually a year, and they can come back. They do not carry passports of our government when they leave here but what are known as “return permits.” These permits are issued by the office of the Commissioner General of Immigration which is in the Department of Labor. Letters addressed to the Immigration Bureau, Washington, will reach the proper official.

Who can obtain such a return permit? Visitors or students cannot. Certainly not the persons who came in here unlawfully in the first place, but only those who came in legally and of whose entry there is a record at some port of the United States. Unfortunately there are about a million persons now living in the United States who are here unlawfully. They cannot apply for citizenship and they cannot get return permits to come back if they want to go to Europe or Asia or South America. In fact, if they venture out of the country and try to come back they must wait for their turn in the quotas and these quotas have a long waiting list of those registered for years trying to get into the United States.

The plight of the million persons who are here unlawfully is one that cannot always be blamed on the individual. Many of these people may have innocently failed to submit themselves to immigration inspection at the proper time and place, sometimes it may have been due to the failure of the immigration officials to insist on inspection or making of a record. Most of these people came into the United States, as a matter of fact, long before the 1921 act putting immigrants on a quota basis was established and long before immigration regulations were carefully enforced. Many came over the borders of Mexico and Canada at points where there were no immigration officers.

Some of the finest types in America are said to be here unlawfully for the reasons given, and in the 70th Congress a law was passed giving the Department of Labor authority to legalize the status of these people after they have submitted to the necessary examination.

A vast number of aliens resident here who have come in lawfully either before or after the quota system was established and who have, of course, not become citizens may wish to travel abroad. Many of them do not know of the return permit system. This return permit is issued for the duration of the journey and if good cause can be shown to an American consul abroad an extension of six months will be

granted. It will not be given to aliens who are temporarily in the United States as visitors nor to aliens now abroad who have given up their residence in the United States but who were once here lawfully.

There are some countries which can be visited without a passport or visa. Again it should be noted that a passport for the alien is one thing and a return permit is another. Thus to go to Cuba, Canada or Mexico or certain South American countries no passport or visa is required but an alien ought to have a return permit before venturing outside the United States to any country. As for aliens and citizens residing on either side of the international boundary of Mexico and Canada, who habitually cross and recross the boundary on legitimate pursuits, they may apply for identification cards at the port of entry. These cards are issued by the immigration authorities and can be taken up or cancelled at any time.

To sum up: any one who has declared his intention to become a citizen is not a citizen and no preference exists in favor of his relatives. All persons who have become naturalized can send for certain members of their families. Regulations governing this point are issued by the immigration bureau of the Department of Labor.

Under the Act of 1922 American women no

longer lose citizenship by marriage to an alien. But between the years of 1907 and 1922 all American women who married aliens lost their citizenship. They may never have gone out of the city or county in which they lived. This defect has not yet been corrected. Meanwhile they cannot travel abroad without a return permit and this is not always granted. Of course, they can go out of the country and wait their turn under the quota system.

Other persons who have lost their citizenship are those who have gone to other countries and sworn allegiance to those countries. Having once done that American citizenship is lost and cannot be obtained again except by the usual naturalization process. Such a person even though native born in the United States would not be able to come in again except in the same status as any other immigrant under the quota system.

To conclude—every American citizen crossing the international boundary for any length of time or going across the sea should carry a passport whether the other countries require it or not. It is valuable in establishing proof of citizenship on returning to the United States. It satisfies the immigration authorities and avoids delays.

Any alien who ventures out of the country should carry the passport of his own country

as well as a return permit if he or she is lawfully entitled to come back and wishes to re-enter the United States without being detained for proof of residence in the United States or for prolonged inspection.

XXX

GOVERNMENT INFORMATION

The average man's conception of government is that it exists primarily to enforce or administer laws. He is rarely conscious of the government as a helpful agency in his business or every day work. And yet as one examines the activities of the various bureaus and departments there are to be found many instances in which the government acts as a clearing house of important information.

Thus the Bureau of Markets collects every day by leased wires the prices at which agricultural products are selling in the various marketing centres of the country. The purpose of this is to prevent the producer from being misled in the premature sale of his products. So also the immense machinery of the Department of Agriculture reaches round the world to collect accurate data on the production and demand of other countries, which factors naturally have an influence on the domestic price.

Throughout the year, the Bureau of the Census in the Department of Commerce is collecting data about every industry and business, finding out whether the number in each is increasing or diminishing, whether the total payrolls in each

are larger or smaller than usual and how the total amount of business done compares with preceding years. In the Department of Labor is an important bureau given over entirely to the collection of statistics on the wages paid labor in various trades, and data concerning the cost of living. These facts are essential in understanding the upward and downward curve of prices for labor as well as variations in the purchasing power of the people.

Commercial attachés representing the Department of Commerce are scattered throughout the world as are the consuls of the Department of State. They report by mail and by cable the essential facts needed by American business men about the buying trends of foreign countries and the opportunities for American products.

Inside the Department of Commerce are numerous divisions which make constant surveys of basic industries and this data is in turn transmitted to those who need it. This department averages nearly 2,000,000 inquiries a year from business men.

The Bureau of Mines and the Bureau of Geological Survey are concerned with the facts of production in the development of America's coal and oil and mineral resources. Their figures are accepted as of guidance to the industries they cover.

Perhaps the most extensive of the scientific bureaus of the government, however, is the Bureau of Standards which is almost as big as a department for it is really a huge laboratory with all kinds of experiments and tests being conducted by it for the benefit of American industry and the people generally. Not only are weights and measures accurately set forth by the Bureau but it has in recent years aided the construction industry by examining the durability of materials and assisting in the discovery of processes which have meant economies in building. Then there is the division in the Department of Commerce which is concerned with the simplification of practices in trade and the elimination of waste. Its work has been described in a preceding chapter.

The Federal Reserve Board is another great agency for the collection of facts about American business. Indeed, the government to-day has so many fact-finding agencies of value to the American business man that it is amazing to find the latter to a large extent unfamiliar with what the government can do for him. The American citizen really does not use his government as much as he might partly, of course, because in the last ten years the gathering of information has proceeded on such a large scale that he has not yet found means of absorbing the work being done for him and partly because

the government itself does no advertising and really does not stimulate the people to use the bureaus which logically belong to them.

Many persons who ask questions of the Federal government by letter complain about red tape when they do not get an immediate answer. In nine cases out of ten they have addressed the wrong department or bureau. It would be a simple matter, one may say, to forward the letter to the right bureau. But there is the difficulty. The government's activities are so varied and far-flung that it is not always easy for a government official to direct the inquirer exactly to the bureau or division which is working on a particular subject.

There have been many admirable books outlining the work of particular departments but these usually have been based upon jurisdiction and departmental divisions. Recently a topical survey of the government by subjects was undertaken by *The United States Daily*. For example, starting with the subject Public Health bureaus were found not only in the Treasury Department but in the War Department and the Navy Department, in the Veterans' Bureau and in various other places all dealing in some way with the topic "health." Take automobiles, the man interested in knowing what the Federal government does for the motor industry will not be aided simply by telling him that the Department

of Commerce maintains a division to collect data on how many cars are being sold in foreign markets. One will find that there are other bureaus dealing in various ways with the automobiles, trucks, and tires. We might think that on the subject of finance the Treasury Department would give us all the necessary data but there are boards and commissions and bureaus in other departments dealing with financial affairs.

Many of the departments maintain information sections but the average person has difficulty in knowing where to get the data he wants. There may come a time when the government will establish a large information bureau for all kinds of questions but in this era of economy it is not likely that Congress would care to commit itself to unlimited expense in that direction and the danger would be that once the door was open the government might find itself involved in a huge outlay. For the present most of the data required by the average citizen is obtained for him either by his special representatives or services organized for that purpose in Washington.

Government officials are too busy to dictate a formal announcement every time they have taken an important action. Usually they call a conference of members of the press and explain orally what has been done. Similarly during the sessions of Congress while the debates have

been covered in the *Congressional Record* no complete record of the work of the committees had been attempted. The essential thing in asking the government for information is to know something of its structure. Many government bureaus maintain special mailing lists sending booklets and announcements to persons who have especially asked to be kept advised. The government has since the war developed remarkably along the line of keeping the citizen informed.

While the United States government maintains various bureaus that give out information on many subjects, it is important that the specific bureau be known, however, if the information desired is to be secured promptly.

Bulletins containing information as to the tides are published by the Coast Survey, while the Lighthouse, Navigation, and Steamship inspection service gives out information relative to conditions at sea that are necessary for commercial navigation.

Data concerning the population, occupation, births, deaths, and marriages of the American people may be obtained from the Census Bureau. In addition to such information this bureau gives out industrial data relative to manufactures, agriculture, mining, electrical industries, oil wells, and various other fields of industrial nature.

Statistics concerning national wealth, public debts, taxation, and financial statistics from the various cities and states may also be obtained from the Census Bureau.

Each year there is printed by the Government Printing office an Official Register of the United States and the name, title, station, and salary of every government official is printed therein.

The Division of Publications of the Department of Commerce attempts to solve the problems of buyers by its Directory of Commodity Specifications. This directory contains 27,000 descriptive specifications.

Information dealing with research is distributed by the 1,200 pamphlets that the Bureau of Standards publishes.

Application to the Bureau of Mines will bring information concerning the safety of miners and kindred topics as well as data concerning minerals, ranging from common salt to highly prized radium.

The Commissioner of Labor Statistics has information regarding all phases of labor. Since 1915 much of this material has been published in a monthly review called *The Monthly Labor Review*. Data presented in this periodical is used by business men, students, social workers, and publicists. Back issues of the magazine are kept on file and are available for the purpose of obtaining data on labor. Material kept in hand

by the Commissioner of Labor Statistics is not restricted to American labor, the actions of labor all over the world are closely followed by this publication.

The Bureau of Foreign and Domestic Commerce of the Department of Commerce is the source of much data concerning foreign trade. Making use of reports obtained from Commercial Attachés and Trade Commissioners of the American government stationed in all parts of the world this bureau assembles vast information on this subject. A survey of foreign trade is printed in a weekly publication of the Bureau. It bears the title of "Commerce Reports." Annually two volumes are printed, one reviewing foreign trade for the year and the other domestic trade.

Records of the United States Navy dating from the time of the Revolutionary War are kept on file at the Naval Library. The records deal with various phases of action of the navy.

Results of agriculture experiment work that is being carried on extensively by the Department of Agriculture may be obtained from the Agriculture Research records and the Agriculture Experiment station record. These records contain data pertaining to all phases of the agricultural experiments being conducted by that department.

Another bureau of the Department of Agri-

culture deals with household problems of American housewives. This is the Bureau of Home Economics and it publishes reports of its activities that contain information of interest to the public. Persons interested in this work may obtain information regarding foods and nutrition, economics, and textiles and clothing. Study is also being made by this bureau of diets.

Information concerning the work and problems of women in business is furnished by the Woman's Bureau. This bureau prints material relating to the relative efficiency of women in industry and conducts studies concerning the cause of the time lost from work by women in business and the reasons for it and other studies of this nature. Results of these investigations may be obtained from the Woman's Bureau.

Surveys of child health and welfare are given out by the Children's Bureau. In addition to printing information as to the feeding, care, and training of children, this bureau gives material concerning five different phases of child welfare. It is divided into five sections, the Maternity and Infant Hygiene division, the Child Hygiene division, the Industrial division, the Social Service division, and the Statistical division, and information on these five subjects may be obtained from these divisions of the Children's Bureau.

Data relating to patents and trade marks in

this country are obtainable from the United States Patent Office. This office prints a special publication telling of registered patents and trade marks, known as *The Official Gazette of the United States Patent Office*.

For the purpose of research the records of American activities in the World War are preserved under the jurisdiction of the Assistant Secretary of War. These records, together with those of the Council of National Defense, War Industries board, and the Committee on Public Information are deposited with the War Department, with the assistant secretary of that department holding jurisdiction over them.

Information concerning public health problems may be received from the Public Health Service and Pan American Sanitary Bureau. This bureau deals with the problems of public health, having been established by the Pan American conference to do this work.

The condition of education in America and the methods used in American education are reviewed by the Educational Bureau. This bureau functions as a part of the Department of the Interior.

Data concerning medical documents and treatises are kept in the Army Medical Library. This library has various documents on medicine that are valuable and rare.

The library of the Department of Agricul-

ture holds literature relating to crop production and consumption.

Historical and administrative records of the United States Army are kept by the Adjutant General of the Army. Records of the soldiers in active service and the records of all ex-service men are also on file.

The Federal Board of Vocational Education gives out educational information concerning vocational work in three divisions: agriculture education service, commercial education service, and home-making education service. Courses in the subjects mentioned above are also prepared by this board.

Scientific information may be obtained from the editor of the National Museum publications. These data are concerned with science, botany, and zoology.

From the Smithsonian Institution come data on scientific discoveries and explorations.

Information given out from government sources cover practically all fields of human activity and when it is known what bureau furnishes the information desired it is readily obtainable.

XXXI

RELATIONS WITH THE PRESS

How is the news of the national government gathered and distributed? There is no mystery about it. The methods are somewhat more comprehensive to-day than they were twenty years ago, but fundamentally the objectives are the same—to give the American people an accurate picture of what their government is doing.

Under such circumstances it is natural to find the Washington correspondents anxious to preserve the integrity of their profession and yet give everybody the utmost freedom of action in analyzing or criticising governmental action. There is no censorship in the American government in peace-time in the sense that the correspondents are prevented from writing what they please. All of them, on the other hand, feel an obligation to keep confidential any information given them which is so designated. But there is nothing to prevent a correspondent from declining to accept confidences if he chooses.

There is no group or organization which sets itself up as in any way limiting the freedom of expression of correspondents though there are organizations of various kinds for administrative purposes. Thus there is the Standing Com-

mittee of Correspondents, a group of five men, elected annually by all the correspondents who are eligible for admission to what are known as the Senate Press Gallery and the House Press Gallery. Congress officially recognizes the Standing Committee of Correspondents as strictly an administrative institution. This standing committee certifies to the Speaker of the House and to the Committee on Rules of the Senate just which correspondents are entitled to membership in the press galleries and makes arrangements for working space for the correspondents. The usual requirement or rather limitation is that a correspondent shall either be employed on a Washington newspaper or that he shall be sending telegraphic despatches daily from Washington to his newspaper. This automatically eliminates many who send news by mail and who are not giving their whole time to newspaper work. The same Standing Committee is called upon every four years by the two national political parties to arrange the seating of the press at the national conventions. Three hundred and twenty correspondents are enrolled in the congressional press galleries representing 351 newspapers and news associations.

Now there are about 2,000 daily newspapers in the United States so about 1,650 of them have no special correspondent of their own in

Washington and depend instead on the press associations. The four press associations are the Associated Press, the United Press, the International News Service and its affiliated organization the Universal Service, and the Consolidated Press Association which has a staff of special writers.

The news associations place men in all the departments of the government and several men are stationed at the Capitol. A system of leased wires is used to transmit the despatches instantaneously to the newspapers of the country through these four press associations.

It has long been regrettable but an unavoidable fact that these staffs turn in far more material than the respective news associations can possibly handle as their wires must carry news of happenings throughout the whole world and the national government can be given only proportionate attention. Under a system of relays from section to section, news sent from Washington may still be further curtailed so that some parts of the country do not receive as much as other parts depending upon what the filing editors at the relay points think is sufficient or what they have space for depending, too, on developments in their own regions which also clamor for attention on the limited space of these leased wires.

The news associations, serving 2,000 news-

papers cannot specialize in the sense of giving particular newspapers the slant they may want on national news. So the 350 newspapers who maintain special correspondents may be said to be those larger newspapers which can afford special representation at Washington. These correspondents endeavor not to duplicate what the news associations are sending but to give their own special interpretation on national affairs by selecting some particular phase of the news for treatment each day or they concern themselves at times with particular developments affecting their own section or city. Thus a special correspondent from a California city will make it his business to see each day every member of the California delegation in the Senate and House and to watch any developments in the other branches of the government which have a California point of contact.

Then there are special correspondents who represent not one newspaper but several. A correspondent might represent three or four newspapers in different cities in the same state as they are really not competing with each other. Also there are correspondents who do not follow the local affairs of particular newspapers but specialize on national affairs for several newspapers in a group. Thus the Scripps-Howard group of newspapers maintains a staff of special correspondents in Washington as do also the Hearst newspapers and other chains of

newspapers. Then, too, some correspondents have their writings syndicated to several newspapers in different parts of the country by special arrangement.

Apart from those mentioned are also the correspondents of foreign newspapers who enjoy the same privileges of membership in the press galleries as do the American correspondents.

Some idea of the number of newspapermen and writers representing trade papers, weeklies and magazines in the national capital may be obtained when it is noted that more than 300 are members of the congressional press galleries, and that there are doubtless 200 more who supply information to newspapers but who are not eligible to membership in the press galleries.

For instance one of the rules of the press galleries of Congress—made by the correspondents themselves—is that an applicant must assure the Standing Committee in writing that he or she is not in the employ of any organization or individual who is interested in the enactment of or the repeal of legislation. There is also a White House Correspondents' Association which serves to identify correspondents who attend press conferences in the executive branch of the government.

Twice a week the President of the United States receives the correspondents—at twelve o'clock noon on Tuesdays and four o'clock Friday afternoons. The rules there are that the

President is not quoted unless he authorizes a quotation and that the information is supplied to correspondents for their own guidance. Each President of the United States determines the policy that he wishes followed with respect to the information he is willing to give in the press conferences as the custom is purely a voluntary one and except for the pressure of public opinion there is really no obligation requiring a President to meet the press.

The correspondents hand in on slips of paper their questions a few minutes before the press conference begins. Each correspondent signs his name to his question. The President receives the correspondents in his room in the Executive Offices and all stand while he glances over the questions. As he reads each question, he decides which ones he cares to answer. His answers form the basis of what the correspondents send to the newspaper world by a wire a few minutes later. If the President answers a particular inquiry any correspondent irrespective of whether he was the author of the original question may orally ask the President for further information and he answers or not as he considers it expedient to do so. The fact that any question was left unanswered by the President or what the question was is not considered proper news under the rules for press conferences. The reason for this is that Presidents

feel undue significance should not be attached to his unwillingness to answer nor should a President be subject to criticism if some question is asked on which he happens personally not to have acquired the necessary information.

Members of the Cabinet receive the newspapermen in somewhat similar press conferences, some Cabinet secretaries seeing the press twice a day. Frequently an assistant secretary or a bureau chief familiar with a particular development will receive the press.

Most of the government departments maintain bureaus of information especially to get information for the press and the public generally. But much of the work of the government is not covered in the authorized written announcements of the day. Some of the most important action of the government is announced orally to the correspondents.

Nothing is more important than good government and a continuance of our system of representative government. Misunderstanding and demagoguery flourishes when there is ignorance. There are more ways to-day to bring the facts of government to the people than there have been at any time since the republic was founded, and there is ample evidence that the American people are taking a gradually increasing interest in those facts.

XXXII

THE UNITED STATES ABROAD

Usually we think of Foreign Service as embracing the consular and the diplomatic service. But there are also foreign services maintained by other departments of the government, all independent units yet working in close co-operation with each other. Perhaps it is not generally known that the Department of the Treasury, the Department of Agriculture and the Department of Commerce all have organizations of their own in various parts of the world.

Under Thomas Jefferson, the nation's first Secretary of State, the entire representation of the United States abroad consisted of three heads of diplomatic missions and sixteen consular officers. To-day the Department of State maintains 51 diplomatic missions and 367 consular establishments, with 3,889 persons attached thereto, located in all the important commercial centres of every country. The Treasury Department maintains offices in London, Berlin, Prague, Milan, Shanghai and Tokyo under its Bureau of Customs. The Department of Commerce has abroad a total of 54 offices with

a staff of 166 and more than 300 local employees and 22 American clerks. The Department of Agriculture maintains foreign offices in London, Berlin and Shanghai, and in addition it is constantly sending specialists on missions of investigation into nearly every part of the world.

To-day the duties of the Department of State are chiefly concerned with the foreign relations of the United States. The diplomatic representative must guard American rights and see that they are not infringed upon; he must give information to foreigners concerning American institutions, laws and customs; he is the medium through which Americans meet foreigners for official or business reasons. His most important function is the presentation to the foreign government to which he is accredited the official news of his own government and the conveyance to his government of the official messages of the foreign government. He must keep his government advised of the progress of events in the country in which he lives.

The special function of consuls is to promote American commerce and watch over commercial interests. So far as our commerce is concerned, the functions of the Foreign Service in connection therewith fall under two main headings, trade promotion and trade protection. Treaties, of course, are the basis of all trade

protection. We must obtain for traders equal opportunity with their competitors, either through clearing away obstacles to successful trade through the negotiation of these treaties, or by securing modifications of administrative restrictions, or by protecting them in the enjoyment in foreign countries of such rights as they may already have acquired. Joseph C. Grew, former Undersecretary of State and now American Ambassador to Turkey, furnishes an illustration as to how the Foreign Service operates to protect our trade abroad.

Mr. Grew was representing the United States a few years ago at another post. European automobile manufacturers could ship their cars into that territory either over the road or by railway, merely done up in burlap. American exporters, however, owing to the long sea voyage, had to box their cars for shipment. Suddenly an administrative regulation was proclaimed placing a high rate of duty on wooden containers, which in effect doubled the duty on the cars. Our exporters found they could no longer compete with European makes; they were likely to be driven from the market. They appealed to the Consul, who in turn appealed in vain to the local customs officials. It became necessary to take the matter up with the central government and the aid of the legation was enlisted. After weeks of discussion with numer-

ous officials and repeated refusals, the ruling was rescinded and American cars could again compete favorably with European makes. To-day the country in question is filled with American automobiles of every description.

So much for trade protection. Trade promotion is another story. The latter function means the gathering of information in all parts of the world in regard to market conditions, raw materials, the standing of foreign business houses and other matters essential to American business men in their efforts to market their products abroad. The Department of Commerce is charged by law with the duty of disseminating all information concerning foreign trade matters of interest to the general public. It does this either by publishing weekly Commerce Reports or by issuing special bulletins, or by giving it to the press, or by furnishing it to individual inquirers. The gathering of the information is shared by the two departments, the Department of Commerce and the Department of State. In these activities the agents of the two departments work in close co-operation and collaboration. Whenever the representatives of the Department of State and other departments of the government are stationed in the same city in a foreign country they are required by a presidential order to meet in conference at least fortnightly under the chairmanship of the Am-

bassador or Minister and have a free interchange of information bearing on the promotion and protection of American interests.

The contacts of our consular officers give them an insight into many kinds of foreign businesses and foreign business conditions which the travelling American would be unable to obtain for himself. All visas to visit the United States must be obtained from them, notary services which concern business matters in the United States must be performed by them, patent papers certified by them, goods to be shipped to the United States certified by them for the use of custom authorities. In addition, disputes over trade matters between American and foreign business men are frequently brought before them in order that they may exercise their good offices in adjusting them.

Another important duty has been intrusted to consular officers in recent years. It has to do with enforcement of the Immigration Act of 1924. This act requires every alien seeking to come to the United States to appear before an American consul and obtain from him a visa establishing tentatively his right to enter the United States subject to a further examination at the port of entry. The law requires consuls to deny visas to those aliens who, upon examination, are believed to be inadmissible to the United States under any of its laws. Before

this law was passed immigrants came to the port of entry and were there examined. Those found to be inadmissible to the United States were denied entry and the steamship company bringing them in was required to return them to the port of embarkation. Under the new system the eligibility of the immigrant is tentatively determined before he leaves the country of his residence. Also the U. S. Public Health service furnishes physicians who are stationed at consulates abroad as technical advisers so that the regulations with respect to the health of the applicant may be determined abroad.

The Foreign Service of the Department of Commerce is one of the most recently established divisions of the government. The highest ranking officer in the Foreign Service of the Department is the Commercial Attaché. Following him in importance are an assistant commercial attaché, a trade commissioner, and an assistant trade commissioner.

The Commercial Attache, aside from his direction of the Foreign Service office, gives valuable aid to the diplomatic chief he serves. He is often called upon to advise the Ambassador on matters of a diplomatic nature, since he is under the direction of the chief of the diplomatic mission, and his relation to the chief is the same as that of the military and naval attachés to the diplomatic mission.

For the most part, the work of the Foreign Service and the Department of Commerce, through its offices in every country in the world recognized by the United States, is to enable the American manufacturer or exporter to keep abreast of conditions affecting the sale of his products in every foreign market. The Foreign Service not only supplies him with general reports on economic conditions which it sends by cable or mail, but it also sends a steady stream of information on specific commodities.

The Foreign Service of the Department of Commerce also assigns specialists to devote their entire time to a special problem relating to an industry. For example, there is at present a leather specialist in China, a citrus-fruit trade commissioner in France, a textile specialist in the Orient, and automotive trade commissioners in Europe and South America. Each of these specialists is concerned with particular aspects of his industry and his mission is to furnish the information that is required to develop or maintain the foreign business of that industry.

A good illustration of the practical value of the Foreign Service is shown in cases of American manufacturers or exporters who wish to sell their products abroad but do not have foreign contacts. By communicating with the Commercial Attaché a reliable representative

or agent will be recommended to handle his product abroad. A service in Washington is also maintained at the Department of Commerce from data sent by the commercial attachés and the consuls. An American manufacturer may obtain in Washington a complete list of reliable importers to market his product in a foreign country. Furthermore, he may find just where is the best foreign market for the particular commodity he wants to sell.

Turning to agriculture, the London office of the U. S. Department of Agriculture covers Great Britain, the most important single market for American agricultural products. The Berlin office at present covers the entire continent of Europe, including Russia. The Shanghai office covers China and Japan. The men in charge of these offices report upon the market of agricultural products in their area and upon the competition from products produced therein. As representatives of the Department they give official information on grades and standards established by the Department and keep the Department informed as to their reception in foreign countries. The foreign offices of the Department carry on investigational and research work in connection with the demand for American agricultural products.

The Department of Agriculture is constantly sending specialists abroad for the purpose of in-

vestigating parasites and injurious insects that have been introduced into this country from abroad. At present there are agents searching for parasites of the "Oriental Fruit Moth" in Southern Europe, for parasites of the "Corn Borer" in the Balkan States and elsewhere in Europe, for the "Egyptian Moth" in various localities in Europe, for the "Japanese Beetle" in Japan and India, and for the "Citrus White Fly" in the Malay States.

Two soy-bean specialists are in China and have been there for several years doing work in connection with the cultivation of the soy-bean. Two others are in Turkestan making investigations into the Turkestan types of Alfalfa which wilted when tried out in the mid-western states and the western states of the United States. Also they are making investigations in fruits, nuts, and melons of Turkestan, paying special attention to the Pistachio nut.

Work is being carried on by the Department of Agriculture in Haiti in connection with the rubber industry. The president of Haiti has turned over to the Department a tract of land near Port Prince for the purpose of investigations and experiments with rubber plants. Here comparisons are made of the East Indian tapping methods with that of the Hevea plants. In the Panama Canal Zone plantings of all available species of rubber plants are being made in

co-operation with the experimental garden of the Canal Government at Summit.

A final word now about the work of the Treasury Department abroad. The duty of the customs officials in the seven foreign offices is to assist in ascertaining the correct value of imports upon which a tariff is to be levied. The present tariff act requires assessment of *ad valorem* duty on the basis of foreign selling price of the export price to the United States, whichever is higher. The customs attachés concern themselves almost wholly, therefore, with determining these values and the information is supplied to the collectors of customs.

Thus do we see that the United States is represented extensively abroad nowadays in fields apart from diplomacy.

XXXIII

FOREIGN POLICY,

Has the world progressed in its viewpoint toward war in the years since 1918? Are the thoughts of all peoples as definitely turned toward methods of keeping peace as they used to be toward methods of maintaining by force of arms a fancied supremacy?

Under President Wilson, President Harding and President Coolidge and now President Hoover, the United States has marshalled the moral force of this nation in an effort to find the way to peace. Our suggestions have not been accepted in their entirety. Our ideas have run the gauntlet of criticism both in this country and abroad but the underlying influence toward world peace has been unmistakably consistent.

We began with the thought that the world should join in a league of peace. We suggested it before the War had ended. We had a conspicuous part in framing the covenant of the League of Nations which while never accepted by our own government was nevertheless adhered to by nearly fifty nations, thus giving the

world a machinery for conference and conciliation through which succeeding steps for a better understanding between nations were given momentum.

While the world has witnessed to some extent secret maneuvers and hidden consultations in diplomacy, the power of publicity so fervently urged by President Wilson in his famous plea for "open covenants, openly arrived at" has played its part in exposing the improper motives of misguided governments and in keeping free peoples advised constantly of the dangers of secret diplomacy and agreements. We have had recent examples of the reaction of public opinion abroad to attempts to revive secret understandings. To that extent the world has progressed and has realized the need for open diplomacy not in the literal sense of permitting us to eavesdrop on necessary consultations that precede an understanding but in the much more important sense of making it obligatory that an understanding once reached must be made public to be valid or legitimate.

We might go back to another phrase of wartime—the use of arbitrary power and the misuse of big armaments developed out of a spirit of rivalry and competition. The United States government under President Wilson suggested twelve years ago that all armament be reduced "to a point consistent with domestic safety." It

was only another way of asking that armaments be not constructed for wars of aggression but only for possible wars of defense. But if autocratic governments existed which could at any moment plunge their own and foreign peoples into war, we had not reached a point consistent with domestic safety. A republic or democracy could not feel safe if near by was an autocratic government unresponsive to its own public opinion. The whole world had to be convinced of the rightness of keeping the war-making power out of the hands of the few and placing it for safety sake in the hands of the many who naturally could be expected to authorize the use of such power only in the remote contingency that all other methods of conciliation had failed. Indeed, that was what was meant in the famous war-cry—to make the world safe for democracy.

Has it become safe? The question may be answered by surveying the whole world to find a single example of autocracy that threatens world peace to-day, that keeps nations feverishly arming to protect themselves against the menace of sudden war. Trouble spots there are and probably always will be. Friction has existed in the last ten years between small nations, struggling themselves for a secure position against neighbors but the larger powers have looked on tolerantly and at times impatiently

with the knowledge that even these small fires could be permitted to spread as they did before 1914.

In Europe, the League of Nations has been the guarantor of peace. It is not a super-government ordering other governments what to do but a mechanism for ready conference, a place where the united states of Europe meet as equals in a partnership of common interest and because we are not directly participants in its obligations we are none the less proud upon occasion to associate ourselves with some of its great tasks of humanitarianism and even its efforts to bring about a reduction of armament.

We have been, moreover, conscious of our obligations to the world notwithstanding our internal disagreement in 1920 as to whether membership in the League of Nations was in the then state of the covenant a wise or unwise policy. For it was in 1921 that President Harding called a conference of the principal naval powers of the world to limit naval armament. Coincident with that conference was the meeting to clarify Far Eastern affairs. The Anglo-Japanese alliance with its uncomfortable implications of a possible union against America in the Pacific on the part of an associate of the great war was discarded with the full approval and sincere expression of friendship by Japan and Great Britain toward the United States.

Japan has from that time forward given her assent to every further suggestion looking toward reduction of armament and we have a right to feel glad that the days of loose conversation about war with Japan have been superseded by a friendship in world councils between Japan and the United States that is happily beginning to be felt throughout the world.

Guided by Charles Evans Hughes, Secretary of State under President Harding, the world saw the powers of Europe accepting the advice of a commission of American business men, consisting of Charles G. Dawes, Owen D. Young and Henry M. Robinson. They drew up what has become known as the Dawes-Young plan. It gave Europe in 1924 an elastic method of dealing with the problem of German reparations. It gave Germany a chance to rebuild her industrial life. It gave the world added evidence that free peoples could not be coerced at the point of the bayonet in the Ruhr but only through the strength of reciprocal understandings conceived with practical business sense.

And again as the Dawes-Young plan inspired self-confidence in the pacific settlement of disputes so the treaties of Locarno inspired friend and foe to sit down at the same table and pledge and mutually guarantee the peace of Europe. Slowly but surely the world was an-

swering the cry that burdensome armies and navies were needed to fight a theoretical foe.

All these steps furnished the background on which the climax came this year in the successful negotiation of treaties by all the nations of the world to outlaw war. President Coolidge who from the first saw in the cost of armaments not only an economic burden but a possible source of mutual suspicion gave his Secretary of State, Frank Kellogg, the authority to proceed with the making of treaties that should renounce war as an instrument of national policy.

We cannot overestimate the meaning of that renunciation. For generations the world had recognized war as a legitimate weapon of national expression. We sanctioned it even though we did not participate in its battles. The international law of the world was focussed on the rights of belligerents and the rights of neutrals as a sort of approval of the inevitable. We cannot say that all this has been changed for we still recognize the possibility of some state violating its obligations and provoking another state to defend itself. But any nation that is adjudged the aggressor by the opinion of mankind runs the risk that the benefits which it might otherwise seek from other powers with confidence might now be denied. Where will it float its loans or buy its munitions? These are

questions each nation will wish to decide for itself in the light of the facts. In a word, an aggressor nation takes a leap into a world of uncertainty when it begins aggressive war. And so far as the members of the League of Nations are concerned they are bound to submit their differences for a period of at least nine months to the councils of other nations, a cooling off period that might enable the world to learn by publicity which is the aggressor. And while the United States is not a member of the League, we have treaties with many nations negotiated by William Jennings Bryan as secretary of state which bind us to a period of nine months, waiting while efforts are made to compose differences by peaceful means.

Although there is a constantly growing machinery for peace and a constantly diminishing area within which nations can by evasion or deception override the will of peace-loving peoples, we have with us still the problem of regulating the size of armies and navies. It brings a practical test oftentimes of the sincerity of professions of peace. And yet it is not human to discard fire apparatus just because the number of fire-proof buildings has increased. The risk of fire may diminish and the insurance rate may go down but who shall judge in a world only yesterday full of passion what are the risks of to-morrow? Sometimes we sow the seeds of

discord and resentment in selfish commercial policies. Sometimes nationalism is fanned into a flame because of a commercial reprisal for an act we unthinkingly may have committed. It is the military and naval expert who feels the obligation to estimate the risk in terms of armament too. For the world is progressing in its discovery of scientific weapons. There probably will continue to be a conflict in every country between the elements which are confident that the fire apparatus may be with safety reduced to a low point and those who insist that true insurance lies in the possession of adequate and up-to-date instruments of defense. Perhaps it is an advantage to have such a constant check between the two groups. But this will never discourage the governments from endeavoring to assure themselves that reduction of armament to a point consistent with domestic safety is not interpreted as the maintenance of an army or navy sufficiently large to carry on a war of aggression against any nation or combination of nations.

XXXIV

THE CALL OF PUBLIC SERVICE

It will be conceded that a perfect theory of government can in practice be nullified by those whose character and training is full of imperfection.

Outside of the national capital there is not the same appraisal of the work of members of Congress that there is in Washington by those who see at first hand the effort of conscientious public servants to do what seems to them the just and fair thing in the balancing of interest against interest or group against group.

If there is, therefore, outside of Washington a feeling that Congress, for example, is too often engaged in irrelevant tasks or that the seeking after sensation by the demagogue is the rule rather than the exception, it is not likely to persuade young men that here is a place of noble purpose or an opportunity for real statesmanship.

We shall make no progress by tearing down and destroying such faith as does exist in the integrity and honest intent of those who do represent us and we shall get further by con-

structive effort to introduce in our personnel of government men and women who shall help to raise it in the esteem of their countrymen.

But where shall we get them? Will a man who has achieved success in private business forsake his life work for a career in government if to do so means to enter a maelstrom of abuse or an arena of mutual suspicion? Too often the paths of party politics are strewn with the tragedies of a broken heart and a broken spirit because in the competitive struggle for place there remains the instinct of the savage to gain advantage at any cost. A sense of chivalry, a sense of sportsmanship, a sense of fair play to an opponent is not acquired like a bit of learning. It is ingrained in character. There have been men who won public office by misrepresentation of the acts of an opponent, by deliberate distortion of facts, and by appealing to the prejudices of an electorate, but in not a few cases has it been observed that sooner or later this defect in character leads to other manifestations of inadequacy which in the end means defeat.

The colleges nowadays place much emphasis on true sportsmanship, on the ability of the individual to conquer his own instinct to take advantage of every means, fair or foul. Many candidates for office would gladly risk what is known as a clean campaign if they could only

be assured that the electorate would be fair, that it would not accept one-sided statements without asking, at least, for the facts from the other side. So the rank and file have an obligation too.

Examining the biographies of members of a recent Congress it was learned that out of 435 members of the House of Representatives, only 257 stated that they attended college. This is not much more than half. As for the Senate, only 62 out of 96 have been at a college.

It is remarkable the number who have won their way to the highest legislative body in the land without a college training. Some of those who had the benefit of college training may not possess the acuteness or orderliness of thought of those who did not attend college. And some of those who did not have the advantage of a college education might conceivably have advanced more rapidly had they been able to attend college.

We cannot escape the fact however that each year the colleges are acquiring a larger and larger number of students. The Federal Bureau of Education reports that there are about one million students in American colleges and that in high schools we have more enrolled than in all the other countries of the world put together.

This augurs well for an electorate of the future, capable of intelligent discrimination in

the choice of public servants. It gives a hint, too, of the opportunity that the colleges and universities have to send to their city governments, their state governments and their Federal government here, men and women of capacity as well as character. For the problems of the future will not be solved by mere maneuvers of party politics, by the hit-or-miss alignment of individuals on an affirmative or negative side simply to gratify the instinct of oppositeness. It will require an economic background, a knowledge of the fundamentals of practical business tempered with a tolerance and idealism that will tend to repress greed or injustice.

More than thirty years ago, Woodrow Wilson, then a college professor, speaking at the Sesquicentennial of Princeton University, entitled his address "Princeton for the Nation's Service." It was long before he himself became President of the United States, long before he could have dreamed that some day he would give his life to the service of the world. In that address he painted a picture of the future which seems now even more pertinent:

"I have studied the history of America; I have seen her grow great in the paths of liberty and of progress by following after great ideals. Every concrete thing that she has done has seemed to rise out of some abstract principle, some vision of the mind. Her greatest victories

have been the victories of peace and of humanity. And in days quiet and troubled alike Princeton has stood for the nation's service, to produce men and patriots. Her national tradition began with John Witherspoon, the master, and James Madison, the pupil, and has not been broken until this day. I do not know what the friends of this sound and tested foundation may have in store to build upon it; but whatever they add shall be added in that spirit and with that conception of duty. There is no better way to build up learning and increase power. A new age is before us in which, it would seem, we must lead the world. No doubt we shall set it an example unprecedented, not only in the magnitude and telling perfection of our industry and arts but also in the splendid scale and studied detail of our university establishments.

"American universities serve a free nation whose progress, whose power, whose prosperity, whose happiness, whose integrity depend upon individual initiative and the sound sense and equipment of the rank and file."

The foregoing might well be the creed of all universities and colleges to-day, a dedication to the service of the nation. For if there ever was a time when the colleges of America could assist in making governmental institutions effective, it is to-day. The mind that can sift out of the mass of color and prejudice, selfishness and intrigue,

the facts about a given situation is more essential in this complex age than in the early years of the present century. Plenty of diversions exist to draw the student into other channels—the attractions of an age of science and art are tempting to the intelligent just as the material rewards of an age of intense business drama are likely to keep thin the ranks of those who aspire to statesmanship.

The public service is a vast, all-embracing institution. It does not begin with the great Federal government, so little known to the average man. It begins in the local precinct, in the tedious, monotonous, even drab tasks of an obscure locality. Its origin is in the small unit, the community. And out of it with the experience of contact with human nature grows a greater field of usefulness in county and state until ultimately in the Federal government, in the national legislature, in the executive establishment and in the judicial branch is found the opportunity for broad usefulness to the country as a whole.

No distinction need be drawn between the opportunities of service through the route of promotion by election first to one office and then higher and higher and the call to service through appointment by a city, state or national executive. It appears to require nowadays almost as much persuasion to get people of ability to ac-

cept appointive office as it does to urge them to enter the field of politics and stand for election for a given office. It is not a sense of modesty which makes for this reluctance. It is a disinclination to become part of a system that is based on unsound methods of winning public approval and upon a belief that the electorate may be too indifferent to judge fairly a work earnestly undertaken for the public good. The effectiveness of government will be increased when we frankly commend the good things in government and the persons who perform meritoriously and when we appraise at their true value the exceptional incidents of irregularity. For as respect for government increases, so government will become better equipped to serve the people who had given it their sanction. And an improvement in administration is inevitable if the American people are kept constantly reminded not alone of the sensational episodes of political battle but of the quiet efficiency and usefulness of the other side of government.

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